FINANCIALTIMES

World News Tehran gas blast wrecks buildings. kills 13

A gas explosion killed 18
people, destroyed a four-storey
building and started a massive
fire in Tehran. The blast
injured many others in the
city centre, some critically,
and the iranian news agency
IRNA said the death toil was
expected to rise.
Fifteen houses and shops
were wrecked and others were
being demanded. Page 3

Hostage hopes rise iran's main troubleshooter in Lebanon, First Deputy Foreign Minister Ali Mohammad Beaharati, said all Western hostages there might be released by January. Page 3

Socialist disarray For the first time in 20 years, a French Socialist Party congress ended without a mani-mous policy statement after bickering leaders ignored Pres-ident François Mitterrand's appeal for unity. Page 20

US may quit Manila The US will pull its forces out of the Philippines within a year if it cannot get a new agreement to extend use of key military bases, forces com-mander in the Pacific, Admiral Huntington Hardisty, was quoted as saying. Page 4

Taiwanese protest More than 10,000 people dem-oustrated in the Taiwanese capital of Taipei, calling for faster democratic reasons for the removal from power of ageing leaders of the ruling Knomintang party. Page 4 faster democratic reforms and

Delhi crisis ends India's minority National Front Government survived its first major internal crists when Deputy Prime Minister Devi Lai withdrew his two-

day-old resignation. Drivers go back Italian truck drivers ended a week-long strike that left up to 90 per cent of petrol pumps dry, forced dozens of factories to close and sent prices of fresh fruit and vegeta-

Warning to Contras The Honduran military is prepared, if necessary, to forcibly disarm US-backed Contra reb-els camped along the Nicaraguan border, according to Honduran military chief General Arnulfo Cantarero.

Purifying the media China's media overlords have closed down nearly 190 news-papers and periodicals in a campaign of economic auster-ity and ideological purification, the official China News Service

Florida bomb A powerful bomb thrown into

a ÚS Drug Enforcement ministration office in Fort Myers, Florida, destroyed the building and all its records,

Japan fire kills 15 A fire in a five-storey super-market at Amagasaki in western Japan killed 15 people and

injured six. A teenager who jumped from the fifth floor

Havel's dream A dream came true for Czecho-slovak President Vaclay Havel when the first official congress of the Charter 77 human rights movement opened in Prague. When he was in jail, he said, he used to dream it would one day be allowed. New Europe, Page 2; Monday interview,

Mercy flights delay Sudanese rebels, hidding for a bigger share of famine relief, have unexpectedly stalled the resumption of mercy flights to both sides in the southern civil war, relief officials said.

South African toll

Seven more people were killed in South Africa at the weekend as politicians searched for a solution to mounting battles between rival black factions. Baker trip, Page 3 Rembrandts stolen

Thieves dressed in police uni-forms tricked security guards and stole 11 paintings, including works by Rembrandt, Degas, Manet and Vermeer, as well as other priceless objects from a Boston museum.

Bastille success

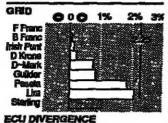
France's controversial Bastille Opera house confounded critics on its opening night on Saturday, taking Paris by storm with a triumphant performance of The Trojans. Power of Berlioz, Page 17

Big Spanish steelmakers may contest **British bid**

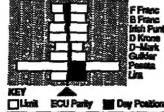
Spain's two biggest steelmakers, Ensidesa and Altos Hornos de Vizcaya, are understood to be close to mak-ing a counter bid to foil a 250m (\$402m) attempt by Brit-ish Steel to take control of the country's biggest producer of steel sections, the José Maria Aristrain group. Page 8

EUROPEAN Monetary System: The Italian lira remained at the top of the EMS last week, but finished within its divergence limit against the weaker currencies, including the French franc, The Bank of France appeared relaxed about the situation and left its money market intervention rate at 10 per cent when adding liquid-ity on Friday. The D-Mark was slightly firmer on the week against the dollar, but traded quietly overall, helping to keep pressure off the EMS. Currencies, Page 31

March 16, 1990



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The chart shows the constraints on EMS exchange rates. The upper grid, based on the sys-tem's weakest currency, defines the cross-rates from which only the pessets may move by more than 2'4 per cent. The lower chart gives currencies' diver-gence from the central rate against the ECU.

be given a short and long term boost by full British membership of the EMS, says a survey

EC foreign ministers and the Gulf Co-operation Council agreed in Muscat that talks should start soon towards a

free trade accord. Page 3 US is still rejecting financial help for the Soviet Union despite President Bush's verbel support for Mr Mikhail Gorba-

chev's reforms. Page 2 CANADA has "huge pools of investment capital" which could be directed to Mexico,

Brian Mulroney, the Prime Minister, said. Page 6 COMPASS Group, UK contract catering, healthcare and build-

ing services company, warned Sketchley shareholders that their prospects were bleak if the cleaning group remained independent. Page 22

TATE & LYLE, UK sweeteners group, said Berisford Interna-tional, which owns British Sugar, had asked it to consider a rescue bid for the troubled sugar and property company before it announced the resignation of Mr Ephraim Margu lies as chairman. Page 22

HRITISH Dredging profits rose from £3.08m (\$4.98) to £4m pretax last year on turnover of 533.66m. Page 22

SCANDINAVIAN Bank Group, consortium bank which ranks as the fifteenth largest UK bank by asset size, announced pre-tax losses of £3.22m (\$5.2m) Page 25

US economic outlook appears to be as finely balanced as ever, offering little hope of a defined trend in the Treasury bond market on domestic funnentals. Page 24

EUROCLEAR, international bond market's largest clearing house, is in danger of finding itself isolated in a row involving its rival Cedel and the Association of International

Bond Dealers, Page 23 NATIONAL Westminster Bank of the UK paid £505,000 (\$800,000) to three executive directors who resigned after being criticised over their involvement in the Blue Arrow

rights issue. Page 11 ROBOTRON, East German electronics group which has been developing partnerships with West German companies, is to assemble Taiwanese com puters. Page 2

VOLKSWAGEN, West German motor group, has held "explor-atory" talks with Skoda of Czechoslovakia. Page 2

Business Summary | First free elections produce big swing to the right • Kohl secures personal triumph

East Germans vote for unity

By David Marsh, David Goodhart and Leslie Collit in East Berlin

EAST GERMANY voted forcefully yesterday for speedy unity of the two German states as the country's first demo-cratic election delivered a surprising victory for the conser-

vative Christian Democrats.
According to provisional results last night, with 75 per cent of ballot returns counted, the CDU and their partners within the three-party conservative election grouping gained around 48 per cent of the votes, falling just short of an absolute

Because of the need to form a broadly-based coalition, the conservatives are likely to form a Grand Coalition with form a Grand Coalition with the Social Democrats, who reg-istered a worse than expected 22 per cent. The result, compre-hensively ending four decades of Communist rule, amounts to a personal triumph for Mr Hel-mut Kohl, the West German Chancellor, who swung the full weight of his own Christian Democratic party hehind a weight of his own Christian
Democratic party behind a
powerful pro-unity polling
campaign. Mr Kohl thanked
the people of East Germany,
"our friends" in the Western
alliance and President Mikhail
Gorbachev for making the elec-

Gorbachev for making the elec-tions possible.

He said East Germans had decided against "every form of extremism" and had decisively rejected the Communist Party.

He issued an urgent appeal to Bast Germans to remain at home and build up "this beau-tiful land."

Mr Volker Ruehe, general secretary of the Bonn Christian Democrats and Mr Kohl, confirmed last night that the result would speed up reunification which would be "orderly but for " "The decision in principle

will come quite soon," he said, although he added that the process itself would take sev-

eral years.
The right's gains upset opinion poll predictions of a win for the Social Democrats. Just 4% months after the breaching of the Berlin Wall, the East Ger-man electorate decided that a wote for the right was the best method of bringing western capital and a market economy into their country. The fresh momentum towards an all-German state may complicate international efforts to find ways of reconciling unity with the two Germanys' respective membership of Nato and the

The East German Christian Democrats scored 41 per cent, with the other two conserva-tive parties in the CDU-led Alli-

with the order two conservative parties in the CDU-led Alliance for Germany registering?
per cent, giving the right a
clear lead in the 400-seat Volkskammer (parlisment). The former Communiat party, campaigning under its new name
of the Democratic Socialist
Party, gained 16 per cent.

In the sprawling stallinist
Palace of the Republic in East
Berlin lest night, decked out as
a huge Western-style television
election studio, politicisms and
commentators reacted with a
mixture of shock and jubilation. Mr Ibrahim Böhma, the
boyish East German SPD
leader, visibly shaken by the
setback, said that voters had
decided for quick but unconecided for quick but uncontrolled unity.
Mr Lothar de Malziere, the

50-year-old East German Chris-tian Democrat leader, said "I never expected it (the victory)
would be as big as this." He
will now, as the likely Prime
Minister, enter quickly into

MAIN PARTIES Social Democratic Party Leader: Ibrahim Böhme Policies: federal united Germany; monetary union; phased market economy

Alliance for Germany Policies: speady reunification; immediate introduction of D-Mark. Groups together: Christian Democratic Union, leader: Lothar de Maiziere; Democratic Awakening, leader. Rainer Eppelmann; German Social Union. leader: Hans-Wilhelm

 Democratic Socialist Party, former Communist Party. Leader: Gregor Gysl; Policies: gradual unity; public control of key aspects of economy

Free Democratic Federation Policies: gradual unity; liberal economic policies

Alliance 90: links three left-wing groups.
Policies: gradual unity;
opposes full-fledged
market economy

detailed unity negotiations with Mr Kohl's Centre-Right Government in Bonn.

Mobbed by gleeful supporters at his party headquarters. Mr de Maiziere said he would form a coalition with his two conservative partners, but left open whether the Liberal Party would join too.

A key element of the CDU's

unity talks will be replacement of the inconvertible Eastmark by the D-Mark on the basis of a one-to-one rate, as promised by Mr Kohl during the campaign.

Fragmentation of the vote among the 24 parties and groupings participating yesterday will lead to a wide variety of parties in the Volkskammer. Last night, however, Mr de

CONTRACTOR OF

Lothar de Maizaira, leader of the Christian Democratic Union, votes earlier yesterday

Maiziere stated that a conlition would be formed quickly. "We cannot take weeks to farm a government," he said.

After a campaign dominated by the West German political parties, voters have empha-sised the country's mood of striving to make a new start. German vote for unity, Page 2, Observer, Page 18

deals.
In this second-tier market, orders entered for automatic execution would go to the market maker whose quote appeared on the green strip.
This issue has caused consternation at some securities firms. They say they should be allowed to match the best price available in the market, even if they are not officially quoting it themselves, to retain their ensurers' business.

A second important develop-

recommended by the Riwer committee would be the creation of an order-driven tronic market in parallel to Seaq particularly for stocks in which there is little trading

ers fear that the parallel orderdriven system, to be known as Close (Central limit order service), would make it difficult

At home in suburbia with the vanquished

By Our Own Correspondents in East Berlin

AS East Germany voted in the sunshine yesterday in its first democratic election, Mr Egon Erenz, the Communist leader deposed in December, sat at home and admitted: "We have made many mistakes."

Mr Krenz, who took over briefly in October from Mr Erich Honecker, was speaking shortly after voting for the Democratic Socialist Party (PDS), the renamed former Communist Party, whose 40-year rule in East Germany has now come to an end.

As part of the settling of scores with the old regime, the Communists expelled Mr Krenz from their ranks at the end of last year. In spite of

this, Mr Krenz, wearing jeans, a checked shirt and carpet slippers, yesterday proclaimed his loyalty to socialism. Mr Houecker has been declared bomeless and is liv-

ing in two cramped rooms with a Protestant par Krenz - who ordered the opening of the Berlin Wall on ou the floor of his home in the East Berlin suburb of Pan-kow was a leopard-skin rug. Outside on the veranda, red deckchairs beckoned. Sitting on his living room sofe, sur-rounded by pot plants, he said: "I voted for the party in

though some people de not . Mr Arens, Mr Hopecker's

long-time crown prince, was Political member responsible for security in the latter years of the regime. Yesterday, he "Forty years were not only years of losing. We also won things," he said, pointing reso-lutely to East Germany's anti-

Nazi traditions. However, he admitted glumly: "I am one of the guilty ones. We didn't do the things in time which were neces-ary," referring to the Honecker regime's refusal to adopt perestroika and glas-nost. He refused to answer a question about his role in the rigging of East Germany's municipal elections last May — an event which height to trigger last summa's protests which led to the downfall of the Communist Party.

Mr Krenz's admission of failings was typical for a country going through a not always convincing exercise of self-re-crimination over the past. He did disclose that he has written a book on his experi-

ences, being brought out next week by an Austrian pub-lisher. The title is "When Walls Fall." He claimed that this referred not only to the Berlin Wall but also to "the walls between the people and

the leadership, and between traft and falsebood."

Up the road from Hr Krenz, of the politing booth in the Julius Pacik high school, citi-zeus confidently maximed the leadership of the demonstrate logistics of the democratic vote. The confidence was not so surprising; reception of West German television had made them vications election

participants for decades.

Some were old enough to remember how it was in the old days, before both Hitler and the Communists. Lucy Kuhmast, aged 81, said: "I voted Social Democrat in 1928, again in 1946, and today I voted for them again. I hope it's not the last time."

London **SE** votes on equity overhaul By Richard Waters

in London

THE LONDON Stock Exchange Council meets today to vote on an overbaul of its domestic equity market, following unsuccessful attempts from some quarters to dilute the proposals before they reached the merchat's marketing body.

the market's governing body.
The overhaul, proposed by a
committee under the chairmanship of Mr Nigel Elwes, finance director of Warburg Securities, has been in prepara-tion for 18 months and marks the first revamp of the market since Big Bang in 1986. The review was prompted by

concern that the Big Bong reforms had tilted the balance of advantage in the market too far from the large securities

They were concerned in par-ticular that they were exposed to predatory tactics by compet-itors by the obligation to deal with others in the market at prices quoted on Seaq, the exchange's electronic market-place, and to publish details of all trades immediately.

The Elwes proposals have been the subject of attack on a number of fronts from some stockbrokers but are under-stood to have reached the council today undiluted despite attempts to amend these. Most radical of the proposals

are plans for making the stock market more attractive for small shareholders. The report recommends that a "green strip" be introduced on Seaq, on which would appear the best quotes available for small deals.

A second important develop-ment for retail above dealing

activity. However, some market mak-

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Soviet Communists in disarray over demands for independence

which I have trust, even

By Quentin Peel in Moscow

THE SOVIET Communist Party has emerged from a cru-cial meeting of its ruling Cen-tral Committee deeply divided, unable to agree on a new set of rules and in severe danger of splitting even before the

splitting even before the full-scale party congress summoned for early July.

The disarray became apparent at the weekend as a further split in the Soviet leadership about how to deal with the independence ambitions of the Baltic republic of Lithuania

Just as President Mikhail Gorbachev insisted that he had not issued any ultimatum to the new leaders of Lithuania, and came out with some con-ciliatory remarks, surprise mi-itary manoeuvres were taking place around Vilnius, the republic's capital, to coincide with a demonstration by antidence campaigners. At the same time, elections were taking place in five Soviet republics yesterday, in all of

which Communist Party offi-

World Guide

cials were expected to suffer serious reverses at the hands of reformers. In Moscow and Leningrad,

hr Moscow and Leningrad, broad alliances of pro-democracy reformers, including Communists and Bon-Communists, are expected to gain a majority, and possibly also in the parliament of the whole Russian federation. Genuinely multi-party elections were also being held in the Baltic repub-lics of Estonia and Latvia, where the main test will be to see how strongly the pro-inde-pendence parties emerge.

The twin threats to Communist Party rule from reforming democrats and nationalists were clearly too much for con-servatives in the apparatus at last week's Central Committee meeting, and they refused to listen to leaders of the so-called Democratic Platform arguing the case for radical changes in

Members of the dissident group were locked in a meeting all weekend to decide how to

respond to the decision, but supporters believe it may force them into breaking away even before the party congress.

The rebel group, which claims the backing of at least 10 per cent of Communist Party members, are angry about the failure of the central committee to enforce grass-roots elections for congress del-egates, and to allow any chance for party factions to organise themselves formally.
With fears expressed from
both right and left that the
Party may disintegrate in the

ne way as its east European saine way as in east European satellites have done, conserva-tives led by Mr Yegor Ligarhev, Mr Gorbachev's ensi-while number two, demanded a full-scale purge of the ranks. Their anger is aimed at exactly those Communists in the Demonstria Blottenside. the Democratic Platform whom they accuse of being social Continued on Page 20 Bush rejects lending to the Soviet Union, Page 2

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THE MONDAY INTERVIEW Mr Vaciav Havel, the Czechoslovak President, is using fully a world pulpit from which he can preach a new kind of political morality at a time tainty puts a premium on new thinking and

Financial Diary .

Carlibbeans 1992 - threat or opportunity for the banana industry? gement: Teaching potential capitalists as eastern Europe opens up Editorial community Two Major temptations; New rules for state industry _________18 QEC Alethouns Anglo-French venture tries to weld two cultures into a world force . Lombard: Time to cheer up about prospects Lex: Tough times for the lucky country __ - lively debate with a bite ...

Economics Notebook: Bank vs State in Italy Lax . Editoriai Comment _____ 18 US Bonds . Money Markets 27 Unit Trusts

German vote for unity may slow 1992 process

Schmidt: warning of delay new governments may seek.

and the degree of commitment which Germany will maintain towards the the project.

On Friday East Germany asked the European Community for talks leading to eventual membership of the group. The East Berlin foreign units-

try said it had accepted the Community's offer of closer ties with possible full member-

ship later. In a statement handed to

External Affairs Commissioner Frans Andriessen by East Ber-lin's ambassador to the EC, it

said it wanted preliminary

talks to start soon because of "the emerging possibility of an economic and monetary union

of both German states".

But it made no mention of the likelihood that it will merge with West Germany,

economic mainspring of the Community, whatever the out-come of its first free elections

yesterday. The statement fol-lowed the initialling on Tues-day of a 10-year trade and eco-

nomic co-operation pact between the EC and East Ger-

many, their first such accord.
Mr Heimut Kohl, West German Chancellor, will brief the
European Community executive Commission on Friday on
plans for a united Germany,

and he will seek to allay Euro-pean fears. The visit to Brus-sels for talks with Jacques Delors, EC President and other

senior officials was one of a series of contacts to keep West

Germany's partners informed.

of both German states'

EAST GERMANY'S vote for rapid unification yesterday has revived fears that the European Community's project to create a single internal market by 1993 may have to be post-

Germany's preoccupation with unification may delay the plan, Helmut Schmidt, former West German chancellor warned on Sunday. "The West German government is concen-trating too much on the uniti-cation issue between the two Germanies," he said in an interview on NBC television's Meet the Press.

German economic unification might go ahead quickly, but other complex matters for the establishment of a single nation may take up to four or five years to complete, he added.

Plans that are under way for the creation of a single Ger-man currency might add to the difficulties already faced by the EC in establishing one Euro-pean central bank and cur-

pean central bank and currency, he added.
"It must not happen; it's not necessary that it happens. But it can happen that the speed of European unification is a little hampered," Schmidt said.

Separately, Mr Jacques Calvet, president of Peugeot, urged the European Commun.

urged the European Community to halt the process of opening its internal market.
In the first such declaration by a leading European indus-trialist, Mr Calvet told the Italian newspaper, La Repubblica, that the changes in eastern Europe had made the future so

uncertain that it was better to halt the political and economic integration exercise. "It would be wild madness to continue calmly writing pieces of paper and making direc-tives. Directives to do what?

What is the common future? I don't know." Mr Calvet added that he had never believed in the opening of the internal market "and my conviction has been strengthened by the slow-ness with which they have gone along this path". The process of reform in

Eastern Europe creates a series of uncertainties, including the forms of membership which

Haussmann urges early currency union

By David Goodhart

MR HELMUT Haussmann, the West German Economics Min-ister, spoke out on the eve of yesterday's East German election for a full currency union before the summer break this

In the clearest statement yet about the timing of such a union Mr Haussmann told the East Berlin newspaper, Berliner Zeitung, that: "Marriage should come before the summer break."

Such a time scale is also supported by the two domi-nant parties in East Germany, the Christian Democrats and Social Democrats.

The Social Democrats have even stated in their most recent programme that the current union should come no later than July L.

Both Mr Haussmann and Mr Helmut Kohl, West German Chancellor, have publicly stated their support for a one DM to one Eastmark conver-sion rate at least for East German private savings.

Details have yet to be finalised on how the conversion will work, but it seems that con-verted savings will only have to be releasable in stages in order to dampen potential The idea is also being

floated that one to one conver-sion will only be accepted for savings as they stood on November 9 last year to ensure that speculators do not profit. As a result of the new consensus that at least a partial one to one conversion is coming, the unofficial exchange rate between DM and East-mark has fallen from over 1:10 a few weeks ago to about 1:5.

• Finance Minister Theo Waigel has relterated that West Germany will not consider any World War Two reparation

payments. "Everyone should know that West Germany will not accept any demand for reparations," Mr Waigel told the weekly magazine, Bunte.

Mr Waigel said West Ger-many had already spent DM136bn (£50bn) at current exchange rates) to compensate

Bush rejects lending to the Soviet Union

has specifically rejected "lending or giving money to the Soviet Union now", in spite of his support for the economic reform programme of President Mikhail Gorbachev.

The limits on US assistance

The limits on US assistance for the Soviet Union have become clearer this week as the Bush Administration has taken a tough line in the talks with European countries over the French proposal for a Euro-pean Bank for Reconstruction

and Development.
During a weekend interview,
Mr Bush said direct financial aid for the Soviet Union was not in America's interest, nor was it needed "to encourage reform, perestroika and glasnost in the Soviet Union." He said the Soviet Union

PRESIDENT GEORGE BUSH to their paid-in capital from the bank which was set up "to help the smaller countries in Eastern Europe who are going down democracy's road. The Soviet Union has a long

way to go before sound loans can be made there. Their first steps ought to be reform, and our first steps ought to be try-ing to help them with these reforms and these institu-

Mr Nicholas Brady, Treasury
Secretary, has said the US does
not want to be part of the bank
"if a major part of the funds
are diverted to Soviet lending".
The sticking-point for participation is limiting the Soviet
Union to borrowing powers no Union to borrowing powers no greater than its own paid-in capital. European countries and the Soviet Union have pressed for a less restrictive attitude, though the US has hinted at a possible voluntary limit on the Soviet Union's boxrowing powers for, say, five

But, as Mr Brady has accepted, the bank will go forward whether or not the US is part of it. The US is willing to take a 10.5 per cent share, against 8.5 per cent for other leading Western countries, but this would still be the first multilateral lending institution which Washington cannot in practice control through a veto

Consequently, US officials are seeking to inject clear guidelines from the start into the bank's articles of agreement or charter, including also a provision that 60 per cent of loans have to go to private-sec-tor organisations or to state-

owned enterprises being priva-

US views on lending partly reflect a desire for the bank's funds not to be pre-empted by the Soviet Union at the expense of East European countries in urgent need of restructuring. Moreover, generates restructuring. Moreover, gener-ous borrowing powers for the Soviet Union would be unac-ceptable to Congress, which has to approve US participa-tion, in view of continued heavy Soviet defence spending and large-scale Moscow assis-tance for Cuba and other Third World countries hostile to

Washington.
Limited suggestions for direct US aid to the Soviet Union made 10 days ago by Congressman Richard Gephardt, the Democratic House Majority leader, were

criticised not only by Republicrificised not only by Republicans but also by many Demo-crats, including Senator Bill Bradley, a possible presidential candidate, who said such aid would be "like putting money down a rathout a strong feeling in

There is a strong feeling in Washington, both in Congress and the Administration, that providing assistance which would shore up the existing economic structure would be money wasted and that the US should wait for moves towards

should wait for moves towards a free-market system.
At present, therefore, the main US emphasis is on discussions about opening up trade links with the Soviet Union. A bilateral trade agreement is currently being negotiated ahead of the Bush/Gorbachev summit in the US in three months' time.

Protests over Romanian group

By Judy Dempsey recently in Cluj, Romania

THOUSANDS of Hungarians and Romanians yesterday joined forces to protest against the rise of a far right-wing nationalist movement which is attempting to sow divisions among the already strained relations between the two com-munities in Transylvania.

The demonstration against Vatra Romaneasca, which Hungarian and Romanian intellectuals describe as a fas-cist movement, took place in the city of Clui, one of the main intellectual and cultural centres of Transplantia centres of Transylvania.

Vatra Romanesca, which was founded in January, has repeatedly accused the 2m strong ethnic Hungarian minority of attempting to con-trol Transylvania and separate it from Romania even though 7m Romanians also live in the

Similar language was used

by the Ceausescu regime, which systematically reduced Hungarian language schools, newspapers, books and cul-tural centres in an attempt to assimilate Europe's largest eth-ric minority. nic minority.

Hungarians and Romanians say that support for Vatra Romaneasca is spreading and is now organised in many of the main town and cities of Transylvania.

They also add that it is com-

posed of former Communist Party members as well as Securitate secret police officials who are intent on exploiting the often latent suspicion between the two communities, which, along with the German minority, have lived together for centuries in Transylvania.

Yet despite the growing sup-port for Vatra Romanesaca, its programme remains incoher-ent but deeply zenophobic.

lts spokesmen say it is not a political party but a cultural movement even though sections of the National Peasants Party in Clui support it.

Its four-page nationalist-charged newspaper is distributed once a week in Adevarul in Libertaie, the main Romanian dally in Clui.

Mr Octavion Capatina, a member of the Vatra Romanessca council in Cluj said the Hungarians want to "regain all the privileges which they had

the privileges which they had after the Second World War." He also accused the Romsnian government of being "too democratic, too European, not Romanian, just like the inter-nationalists between 1921 and

This is a reference to the predominance of Jews in the Romanian Communist Party before and after the Second World War.

VW and Skoda begin talks on co-operation

By Andrew Fisher in Frankfurt

VOLKSWAGEN, the West German motor group, has held "exploratory" talks with Skoda of Czechoslovakia as part of its efforts to move deeper into the markets of eastern Europe. Mr Carl Hahn, VW's chief

executive, accompanied Mr Richard von Wiezsäcker, the West German President, on a visit to Pragne, the Czech capi-tal, last week. However, VW said the talks

with Skoda had not covered definite projects and described as speculation German press reports that it was ready to enter into a financial and production partnership with the Czech motor group.

BMW, the German luxury

car producer, also said last week that it had held discussions with Skoda as part of its policy of keeping in touch with developments in eastern

Europe. VW has already entered into a far-reaching agreement on future investment and produc-tion with East Germany's state-owned IFA car concern. This could involve investment of some DMSbn (21.8bn) in the

ment few years.

Mr Hahn was quoted by the daily Süddeutsche Zeitung as saying in Prague that forms of economic co-operation between Germany and Czechoslovakia must be found which "inspire

people".

The newspaper said VW was ready to provide modern technology for Skoda's latest model, the Favorit. It also reported Mr Hahn as saying rapid success could be achieved in the first stage with little investment.

Havel expounds a new Europe

By John Lloyd

PRESIDENT Vaclav Havel of Czechoslovakia will this week press his vision of a new European order on the two Western leaders most sceptical of it – President Mitterrand of France, where his two-day visit begins today, and Mrs Margaret Thatcher, UK Prime Min-

Ister, whom he will meet on Wednesday. He has given the strongest hint yet that he will stand again as President in June, when Parliamentary elections are held and when his self-imposed temporary presidency

In an interview with the Financial Times in Prague last week, President Havel said the West European states must welcome the "formerly Communist countries back among them "as the returning ones: the European Community will have to transform itself into a European, not just a European organisation".

But during that process, "we should not try to overtake each other: we have to co-ordinate our progress; possibly, we will find some intermediate steps and institutional arrange-

He believes Nato and the Warsaw Pact must and will dissolve, so that a peaceful, multi-polar Europe can

emerge, with each state inde-pendently guaranteeing its own security.
This new Europe would "no nger spawn wars, but will be

a shining example of peace". His view that European secu-rity no longer needs superpower guarantors rests on his assumption that the Soviet Union is now firmly embarked on a road to democracy, and will not revert to a state which again threatens world peace. "I think the changes there are irreversible, that they do not depend on one person (Gor-bachev). Even if he fails, and is worse, the changes are not reversible".

A number of conditions would have to be met if he (Havel) would himself stay president - including that "it was essential for the country that I should stay". The consensus view in Czechoslovakia

Monday Interview - Page 34

Robotron to assemble Taiwanese computers

By Andrew Flaher

Robotron, the East German electronics group which has been energetically developing partnerships with West Ger-man companies, has made a geographical leap with its lat-est experiency a deal to present est agreement, a deal to assem-ble Taiwanese computers.

It has signed a letter of intent with Aquarius Systems, a Talwan-based maker of personal computers, to produce PCs in its Sommerda plant near Effait from delivered

In the second stage of the such as printers and monitors will be integrated into the products.

Aquarius said that in the third phase of the project, the Sommerds plant would manufacture complete PCs itself. The two companies will form a joint development and manufacturing company.

Mr Paul Liu, president of Aquarius, said Robotron's

capacity would enable several hundred thousand computers a year to be manufactured.
Aquarius would transfer manufacturing knowhow to Robotron and also take advantage tron and also take advantage of the Rast German company's marketing network in eastern Europe to develop sales there.

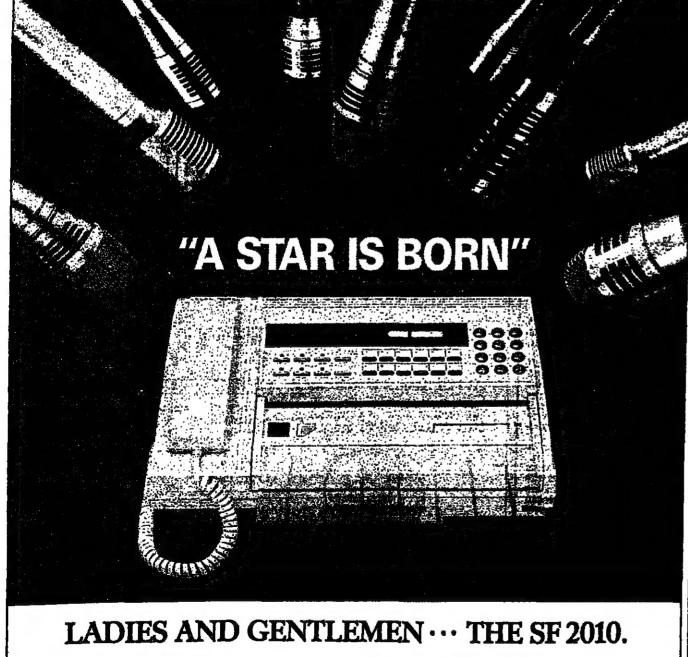
Robotron, which employs 65,000 people and has 15 planta, makes computers itself, mostly for sale to the Soviet Union.

List year, if produced 62,000 PCs, as well as 510,000 type-writers, and 150,000 printers.

writers, and 150,000 printers. The recent ventures it has signed with West German com-panies include compact disc manufacture (with Pils) and

software (Siemens).

Hoechst, the big West German chemical group AG said it is holding talks over a possible far-reaching business coopera-tion with VEB Kombinat Lacke und Farben, Bast Germany's paints and coatings monopoly, AP-DJ reports from Frankfart.



"WHAT IS THE SF-2010?"

It's Samsung's newest personal facsimile. "IT HAS ADF?" Yes, automatic document feeding is a standard

feature of this model. "MANAGEMENT REPORTING?" Of course. Messages of confirmation, transmission, reception, and call-back are just some of the messages that can be programmed.

"WHAT ABOUT COPY-QUALITY?" A 16-level gray scale provides a whole range of black and white tones for almost photo-"AND THE PRICE?"

"ANY OTHER MODELS COMING OUT?" They're just around the corner.

Head Offica: Semanng Electronics Co., Ltd., 6-14th Fis., Ankulk Insurance Bidg., 67, 1-ka, Ulcharo, Chung-ku, Seoul, Koraa, Tei: (82-2) 728-6114 Fax: (82-2) 753-3037

& SAMSUNG Electronics

Vermy competitive.

UK meeting to boost Budapest leader in poll THE MAN most likely to be Hungary's next leader, Mr Joz-sef Antall, of the Hungarian Democratic Forum, today meets Mrs Margaret Thatcher, the British Prime Minister, less than a week before the free elections, writes Nicholas Denton in Budapest. The Forum has based its electoral campaign on the

encounters with western politicians, which capitalise on the impression that Mr Antall is the only party leader in the Hungarian opposition with a statesmanlike bearing.

bearing.

By its invitation, the British Government is investing in the likelihood that Mr Aniall will

likelihood that Mr Antall will head Hungary's new democratically elected government.

Although opinion polls show that Mr Antall's party is running neck-and-neck with its main rival, the radical Alliance of Free Democrats, he can hope for support from the Small-holders' Party, which will hold the balance of power in the new Parliament on present new Parliament on present showing. Mr Antall's father was one of the founders of the Smallholders, and he himself worked for the party during its brief revival in the 1956 Hungarian uprising.

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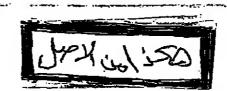
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To The Delegates of Union of Arab Banks Conference, Frankfurt, March 19-21, 1990



BANK OF CREDIT AND COMMERCE INTERNATIONAL SCOREMENER LANGSTRANSSES SHIES PORTRACE



OVERSEAS NEWS

Baker to 'encourage' South African negotiations

By Peter Riddell, US Editor in Washington

MR JAMES BAKER, US Secretary of State, will this week seek to encourage Presi-dent F.W. de Klerk of South Africa and Mr Nelson Mandela; African National Congress

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African National Congress leader, to negotiate flexibly when they meet in mid-April.

A State Department official said Mr Baker would seek to support Mr Mandela, "congratulating him on his moderate multi-racial view of whites' role in the future South
Africa", and encourage him to
negotiate "on a sincere give
Klerk and opposition leaders in

and take basis.

But he will stress US disagreement with the ANC over violence. "We believe that the ANC is prepared to renounce violence as part of the prenego-tiations process." He will also say that the US believes that now is not the time to think of

more sanctions. Mr Baker will urge Mr Mandels to drop his ideas of nation-alising South African indus-tries. The official said: "We do... not agree with his economic model for South Africa."

There has been plenty of as well as Mr Hans Dietrich time since he devised his Genscher, the West German them, negotiate a new political countries, such as Rastern attending. His main discussions, with Mr Eduard Shevard Sh

The US will congratulate Mr de Klerk for taking steps "to accept a negotiated settlement", to discuss his plans for "further normalising political life, and to "encourage" him to engage in meaningful talks.

Mr Baker will meet Mr de "look and convention leaders in

Cape Town on Thursday, the first visit to South Africa by a US Secretary of State for 12 years. Mr. Douglas Hurd, UK Foreign Secretary, is there this week.
Mr Baker will meet Mr Man-dela in Windhoek, where he will be for Wednesday's Nami-bian independence celebra-

There may be some discussion of German unification after yesterday's East German elections since all four foreign ministers of the wartime allies,

restart Angolan peace talks, meeting President Jose Edmardo Dos Santos in Win-dhoek and Mr. Jonas Savimhi, Unita Isader, in Zaire on Fri-

Noting that the Angolan peace process has been lan-guishing, the US official said Mr Baker wanted to see what can be done to promote a cassafre and the beginning of negotiations.

While continuing assistance to Units, the official said the

US was not asking for the over-throw of the present Angolan government, or that Mr Sev-imbi be made president. All we're asking is for the government of Angola to rec-ourle with a major dissident organisation which represents a significant number of AngoNatal province.

review the ANC's position in pre-negotiation talks with Pre-turbs set for April 11. The meeting was preceded by talks in Lusaka yesterday between ANC and southern African

"front-line" leaders. "front-line" leaders.

A senior ANC official said that while the movement was confident of political support from the OAU, it wanted to review its position on the coming talks and future negitiations, and sought funds to rebuild the organisation in South Africa.

Mesuwhile: Chief Mangosuthu Buthelezi, head of South Africa's inkatha movement.

Africa's Inkatha movement, returned to South Africa yes-terday after a two-day visit to Zambia. He was due to meet Mr Mandela to discuss the

ANC and Inkatha supporters in

•Seven more people were killed in South Africa at the weekend as politicians groped for a solution to mounting bat-tles between rival black factions, Reuter reports from

In a report on Saturday's politically-related unrest, police said most of the victims died in Natal province, where supporters of the leftist African National Congress are struggling for control of townshire against headers of the struggling for control of townships against backers of the
Zalu-based linkstha movement.
A surge of fighting has
strugted in many black areas
since Pretotia eased emergency
laws in February and legalised
the ANC as a praince to talks
on power-sharing between
blacks and whites.
ANC deputy president Mr
Nelson Mandela, who last
month urged his Natal supporters to throw their weapons into
the sea, said on Saturday he

the sea, said on Saturday he would tackle the mounting vio-

Mafia fight undermined by efforts to remove key sleuth By John Wyles in Rome

THE FIGHT against the Mafia by Mr Domenico Sica, the Italian magistracy's chief co-ordinator, is set to fall victim to the nation's resolute tendency to shackle or dispose of those who bring any determination to the task.

The shambling, bearded investigator who made his

name in hunting down terrorists, has been steadily losing political backing since the start of the year while the magistracy's ruling body, the Consiglio Superiore della Magistratura (CSM), has been making every effort to underwine his effectiveness.

The process is culminating in an attempt by Mr Sica's peers to prosecute him for exceeding his powers. Among other things the charges focus on his allegedely using improper means to obtain a fingerprint from a fellow magnitude of the charges focus on his allegedely using improper means to obtain a fingerprint from a fellow magnitude. istrate suspected of writing damaging anonymous letters.

Last month, the CSM took away three magistrates seconded more than a year ago to strengthen Mr Sica's team. One of them later alleged that their removal was directly related to more than 502 telephone taps that the anti-Mafia Commissioner has imposed with off. sioner has imposed with offi-cial authorisation. He

suggested that Mr Sica was being made to pay for investi-gating the links between the Mafia and the politicians. The CSM has become a highly political body extremely responsive to pressures from the parties. Mr Giulio Andreotti, the Italian Prime Minister, said at the weekend

Minister, said at the weekend that the fight against the Mafia must continue.

• Mr Guido Carli, Italy's Treasury Minister, has warned parliament that VAT charges will have to rise this spring so as to bring the 1990 budget defas to bring the 1990 budget deficit back in line with the L138,000bn (\$105,3bn) target set

late last year. Latest government estimates say that the deficit could reach L147,350bn without further remedial action. In a report to parliament Mr Carli says the government will have to raise tariffs and sell property.

NEWS IN BRIEF

Tehran gas blast leaves 13 dead and many hurt

A gas explosion killed 13 people, destroyed a four-storey building and started a massive fire in the Iranian capital yesterday, Reuter reports from Tehran.

The blast also injured many people in the middle class area of

central Tehran, some critically, and the Iranian news agency IRNA said the death toll was expected to rise. Rescue workers toiled to shift debris around a massive crater

as a crane lifted heavy pieces of masonry.

IRNA said: "Firefighters and relief workers are clearing the debris and in view of the rush hour the casualty toll is expected to go up. The blast has left a large crater at the site." It said the explosion, at 11.30am local time, was caused by a gas leak in an underground gas distribution chamber. It destroyed several cars and guited at least 15 houses and shops.

Janata Dal crisis blows over

The crisis in the Janata Dal, the main constituent of India's National Front government has blown over, K.K. Sharma reports from New Delhi.

The problem was caused by the sudden resignation from the cabinet of Mr Devi Lal, Deputy Prime Minister and Agriculture Minister. On Friday Mr Devi Lal was persuaded to remain in the government after Mr V.P. Singh, India's Prime Minister, wrote to him acknowledging his key position in the Janata Dal and the

government.

These issues that led to the resignation, including the demand by many senior Janata Dal leaders for the resignation of Mr Devi Lal's son as the chief minister of the northwestern state of Hayana — remain unresolved. They will now be discussed by senior leaders of the party at meetings of various committees.

Iran in fresh hint on hostages

Iran's main troubleshooter in Lebanon said in remarks pub-lished yesterday that all West-ern hostages there might be

released by January.

Mr. All Mohammad Besharati, first deputy foreign minister, was quoted in the Tahran Times as saying that "the chances of the freedom of the hostage are brighter than at any time before." His remarks were the latest in a series of

Kuwait may hold poll this year Kuwatti officials said yesterday that elections bringing the return of parliament after a 3%-year suspension could be held this year,

For the first time since a coalition of 32 former deputies staged a series of rallies in December and January demanding that parliament be reconvened, officials are putting a timeframe to possible elections.

South Korea boosts overseas investment

South Korea approved 73 investment projects abroad worth \$251.3m in the first two months of this year, rising sharply from 41 investments worth \$101.5m in the same 1989 period, Bank of

Korea officials said yesterday.

Double-digit domestic wage hikes, rising costs of importing raw materials and the need to counter growing trade protectionism were the main reasons behind the rise in overseas investment.

EC and Gulf states agree to seek free trade pact

By Maurice Gent in Muscat

FOREIGN ministers from the European Community and the Gulf Co-operation Council agreed at the weekend that talks should start this spring aimed at achieving a free trade

Officials on both sides conceded that the negotiations will be difficult and it will probably be about three years before any accord could come into force. At the meeting in Muscat there was, however, a clearly expressed will to work for closer economic and political ties between the EC and the Gulf states.

Since Oman was the host country as current president of the GCC, the Gulf delegation was led by Mr Yusuf bin Alawi, its Minister of State for Foreign Affairs. In his opening speech he emphasised the value of closer political and economic ties between the two organisations. It was a theme which was taken up by Mr Douglas Hurd, the UK Foreign Secretary, and several other speakers on the Community

Both western diplomats and Community officials were

somewhat relieved at the constructive tone given the flerce arguments that have been arguments that have been going on over the export of gulf petrochemicals to the community. Only 10 days previously Mr Abdullah Bishara, the secretary general of the GCC, delivered a strong attack on European petrochemical producers and complained about the processors that were put.

the pressures they were put-ting on their governments. Officials expect that serious talks on a free trade agreement will start in May when the foslem fasting month of Ram-

adan is over. The two main problems are The unresolved argument over how petrochemicals should be treated. The EC is suggesting that so-called sensitive products should be phased into the agreement over periods of up to twelve years. The

GCC is strongly against such a langthy timetable.

The Gulf states have yet to achieve a full customs union amongst themselves. Saudi Arabia for instance imposes duties of 12 per cent and more on some of the products of other Gulf states.

Agreement near | US may boost monitoring in Washington on defence cuts

THE Bush administration is moving towards accepting large immediate cuts in US defence spending being sought by the Democrat-controlled Congress, in spite of reserva-tions by Mr Bick Chency, Defence Secretary, writes Peter Riddell.

The Administration budget

In January proposed cutting \$2.2bn from the \$306bn in Pentagon spending in fiscal 1991, which would have been needed to maintain current programmes after adjusting for inflation.

However, the New York

However, the New York Times yesterday quoted officials as saying the Administration would accept a cut of \$100n-\$11bm. That means the Pentagon would have no allow-ance for inflation in a roughly unchanged budget in cash terms. rms. Recent discussions among

Recent discussions among Democrats have pointed to a consensus on a cut of \$120n-\$13hm from the \$306hm figure, with the savings going towards reducing the federal budget deficit. Mr-Cheney, however, has warned against leaving the armed forces "undermanned, undertrained, ineffective."

of foreign investment By Peter Riddell

FRESH legislation extending extensive new reporting official monitoring of the fast-growing level of foreign investors and make the data widely ment in the US will shortly be available. While the amend-

ment in the US will shortly be considered by Congress and has a good chance of being sponoved.

Hearings will begin shortly on a widely supported hill to increase access to data on individual foreign investments. Overseas companies fear this might breach commercial confidentiality, increase the risk of restrictive action and pessibly discourage capital inflows.

With new figures last week showing a further sharp increase in foreign investment in the US last year, there has been growing talk in Congress of the need for closer monitoring of such acquisitions with, as a start, improved collection of data. There is also the postibility of reviving proposals,

bility of revivers proposals, blocked last year, which would increase capital gains tax for US subsidiaries of foreign-

owned groups.

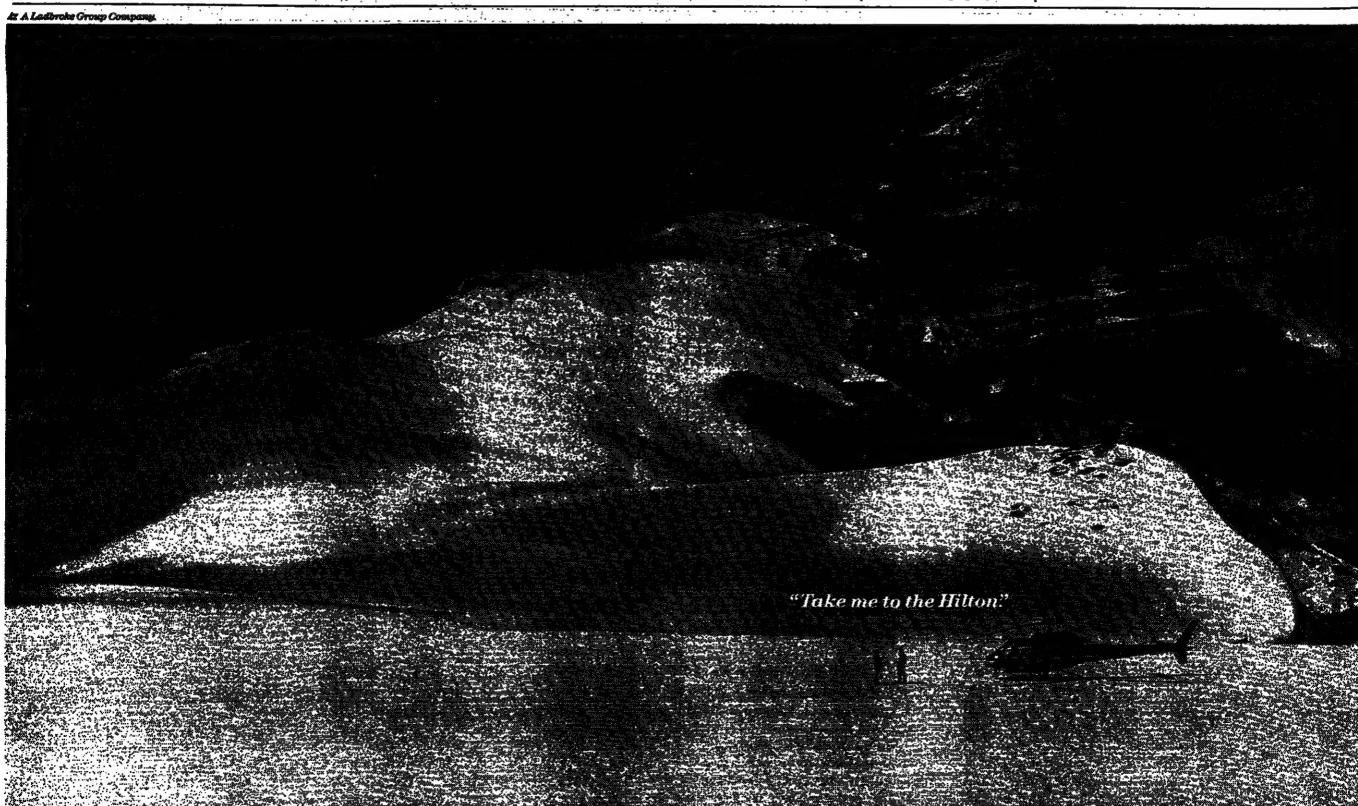
The latest proposal, from Democratic Congressman Phil Sharp, is a toned-down version of the so-called Bryant amendment which sought to impose

available. While the amendment has twice passed the House of Representatives, it has made no further progress because of strong administration or properties.

tion opposition.

The Sharp bill would not seek new data but would allow both the oversight Committee on Foreign Investment in the US and the General Account-ing Office, an auditing body for Congress, access to detailed individual company data. The Association for International Investment (AFII), a lobbying group for major overseas investors, argues that these proposals risk breaching the confidentiality of such data.

The starting point is a widely supported proposal for the limited sharing of data between the Commerce Department's Bureau of Economic Analysis and the Census Bureau which would enable a more complete and detailed nicture to emerge. The admin-istration is shortly expected to move to have such legislation introduced in Congress.



It hadn't been the easiest of assignments. But now he had the data and the samples he wanted, and the weather was worsening Time to make a move. "Take me to the Hilton." A great place, the Hilton. He sometimes took it for granted, but that was a compliment. He'd never been let down yet. He smiled to himself at the prospect of a

warm welcome and a hot bath. For the next few days, the only ice he wanted to see would be in a tall glass in the lobby bar. > For reservations at over 400 hotels, call your travel agent, any Hilton hotel or Hilton Reservations Worldwide (Germany: 069250102, France: 14687**3**480.)

THE HILTON \cdot THE HOTEL

OVERSEAS NEWS

US could withdraw from Philippines bases within a year

THE United States will pull ita forces out of the Philippines within a year if it cannot get a new agreement to extend use of key military bases, the com-mander of US forces in the Pacific said, Reuter reports from Manila

Admiral Huntington Har-disty was quoted by the US armed forces newspaper Stars and Stripes yesterday as say-ing he was confident Washington and Manila would reach a new agreement on the US bases in the Philippines.

But the head of the US Pacific Command said in remarks made in Guam on Fri-day that he had drawn up plans to pull out within a year from when the lease on Subic naval dockyard, Clark air base and four smaller facilities ends in September 1991.

"In September '91, if we don't renegotiate, we'll be out of the Philippines in a year," Admiral Hardisty was reported as saying. "We're ready to go. We've got all the plans...It'll take exactly one year to move

Exploratory talks on the future of the bases, used to defend the Indian and Pacific Ocean regions, will open in Manila in mid-April, with President Corazon Aquino keeping her options open on whether to renew the lease or not.

the agreement. Philippine Defence Secretary Fidel Ramos has suggested a gradual phase-out of the bases, which bring in around \$10n a year for the country and employ 65,000 Filipino workers.

The US would like to see the agreement renewed for at least 10 years, arguing that despite a reduced Soviet threat in the region a US presence is still needed to ensure security.

But the negotiating atmo-sphere has been soured by Philippine government charges that the US has reneged on earlier pledges to pay \$481m a year in 1990 and 1991 in direct aid and assistance. Mrs Aquino, annoyed that

appropriations by the US Congress for the Philippines have been cut by \$96m for 1990, refused to meet Defence Secretary Dick Chency when he visting the United Land Conference of the United Land Conference of the US

Admiral Hardisty was quoted as saying that US Navy ship repair facilities and Andersen air force base on the west Pacific US territory of Guam "could take on new. important roles if the US finds it necessary to move from the

He said it would not be pos-sible to move the entire Clark mew the lease or not.

and Subic operations to Guam
There is strong pressure in because of space limitations.

Bomb destroys US anti-drugs office

A powerful bomb thrown into a US Drug Enforcement Administration (DEA) office on Administration (DEA) office on Saturday destroyed the building and all records in it in the first direct attack on a DEA facility, authorities said, Reuter reports from Fort Myers. The fire left the new office building a charred shell. No one was injured, but damage was estimated at about \$4m, said a Federal Bureau of Investigation spokesman.

tigation spokesman.

A spokesman for the DEA noted that this was the first time a DEA facility had been directly attacked. Some local officials specu-

lated that the explosions may

be linked to a grand jury indictment handed up here last week which named four people

in drug-related crimes.

Assistant US Attorney Greg
Kehoe said, however, "we don't
have any suspects, but virtually anyone we've prosecuted over the last year has the potential to be looked at." The early morning attack came about three hours after a nearby blast in a residential street. No one was hurt in that explosion either. DEA sources said both blasts were caused

by pipe bombs.

The DEA office contained evidence and records of ongo-

Arab states back Iraq on hanging

By Tony Walker in Cairo

ARAB states at the weekenn signalled support for Iraq's President Saddam Hussein amid the continuing bitter row over the hanging last week of British-based journalist Mr Farzad Bazoft.
King Fahd of Saudi Arabia

received his Iraqi counterpart on Saturday night in what was interpreted as a display of soli-darity between the two major Gulf oil producing states.

Guir out producing states.

Mr Bazoft, 31, was executed last week after being found guilty by a Baghdad court of spying. An Iranian exile, he was detained last September after visiting a military installation south-west of Baghdad. He was on assignment for The Observer.

Observer.
Other Gulf states to signal backing for Iraq include Sahrain and Kuwait. Sheikh Khalifa Rin Sulman al-Khalifa, Rahrain's Crown Prince, said that it was "not appropriate" for Iraq to face an "unfair media

King Hussein of Jordan, who was said to have pleaded for clemency for Mr Bazoft, has also since added his voice to iraq's defence. "We hope," he said in a radio interview in

said in a radio interview in London, "that the numerous bids which we see and feel... and that aim at mistreating Iraq, not only in this case but on others, will ease."

The Baghdad regime is known to have been incensed by a series of highly critical reports of human rights violations in Iraq published recently. This may, in part, explain Iraqi defiance over the Basoft affair.

Iraqis, meanwhile, staged

Basoft affair.

Iraqis, meanwhile, staged officially-sanctioned demonstrations outside Britain's embassy in Baghdad at the weekend to protest at London's condemnation of the Basoft hanging. Crowda surged around the entrance of the large embassy compound, chanting "we hanged your sny."

chanting "we hanged your spy."

Maurice Gent adds from Muscat: Mr Douglas Hurd, the Foreign Secretary, raised the Bazoft issue at a weekend meeting of foreign ministers from the Gulf Co-operation Council and the EC in which he thanked Community and Gulf governments who had made representations to the Iranis.

China's old guard issues a warning



AN ageing member of China's People's Political Consultative Conference is helped out of his sext in the Great Hall of the People yesterday as the country's leaders assembled to deliver a tough message to the nation, calling for political stability with the approach of anniversaries of last year's anti-government protests, Reuter

President Yang Shangkun led Communist Party leaders into the meeting of the 2,000-strong advisory body. The conference work report handed to delegates said their first task was to "preserve and develop political stability

and unity". The report singled out the US Congress for special criticism, accusing it of interfering in China's internal affairs.

The Prime Minister, Li Peng, is to deliver the keynota speech to the National People's Congress, China's rubber stamp perliament, which opens its summal sension tomorrow. He will also formally amounce a relaxation of economic susterity. Chinese economists say the Government was alarmed at the millions of workers being laid off by bankrupt enterpaises and considered this new phenomenon was as destabilising as the threat of more student-led protests.

Protesters march for reform in Taiwan

By John Elliott in Taipei

MORE THAN 10,000 people demonstrated yesterday in the Taiwanese capital of Taipei, calling for faster democratic reforms and for the removal. from power of againg leaders of the ruling Kuomintang (KMT) party, who will elect the country's President on Wednesday at a meeting of the National Assembly.

The demonstration was the biggest seen since martial law was lifted more than two years

ago. It was also the most visible sign so far of a potential constitutional crisis that is looming over the role of the elders, who are blocking the development of democratic

The elders have held on to power since they arrived from mainland China 40 years ago with Generalissimo Chiang Kai-shek to found the modern Taiwan. Symbolically yesterday's demonstration was

staged at the Chiang Kai-shek memorial square in central Taipei. This sudden upsurge of middle-class political activity will pose serious problems for President Lee Teng-hui, a popular reformer, after his expected re-election on Wednesday unless he can find a way to curb the elders' power.

On Saiurday President Lee made an unusually blunt appeal for calm in the run up to Wednesday's session.

Hawke swoops on the key voters in Australia

By Kevin Brown in Melbourne

LIKE other party leaders, the Australian Prime Minister, Mr Bob Hawke, has spent most of the campaign for next Satur-day's election seeking the sup-port of special interest groups, especially the newly emerged environmental movement, whose endorsement is consid-

whose stands and it is colory.

This is because Australia's system of preferential voting means the result of a close election like this one hangs on the second and third preferences of works without the nor ences of voters, rather than on their first choice alone.

Most political engagements during the campaign have been designed to reach one or other of these groups, and a tour of Melbourne by the Labor party leader last Thursday was no different. Mr Hawke started the day by

Mr Hawke started the day by allowing himself to be sent up by the teenaged broadcasters of the Melbourne pop radio station; Triple M.

Shirt-sleeved and determinedly casual, Mr Hawke spent half an hour fending off Triple M's comic barbs in an attempt to establish some credibility with the under 20s, even againgt an for set of stand in

going so far as to stand in briefly for the disc jockey. The broadcast was hilarious, if impenetrably Australian. But as an exercise in electoral

the only man in the building without a sense of humour. Having dealt with young Australia, the Prime Ministerial convoy headed to another radio station for an interview with Don Chipp, founder of the Australian Democrats, largest of the green-tinged minority

stage management, it is likely to prove self-defeating, since it showed the Prime Minister was

AUSTRALIAN **ELECTIONS**

parties contesting this election.

Mr Chipp, now a full-time radio personality, did his best to ask serious questions, only to find the Prime Minister taking over his show in an attempt to extract a secondpreference endorsement for Labor's environmental policies.

Callers to radio stations where Mr Hawke was interviewed focused mainly on taxes and interest rates. Mr Hawke, whose Government has raised interest rates to slow an overheated economy, presented the pain as an investment in

future prosperity.

Mr Hawke insists he expects
to win the poll. But even when
he is deriding "the other mob"

the Liberal/National Party
coalition — there is little evidence of the sureness of touch that made him Australia's

that made him Australia's, most popular politician.

The old trademarks — silver hair, craggy looks, earthy language — are still there. But he has nothing new to say to the electorate, which has returned him three times in the hope that he could return to the that he could rejuvenate the shaky fortunes of the "lucky

Sudanese rebels block flights to famine areas

SUDANESE REBELS, hidding for a higger chare of famine relief, have unexpectedly stalled the resumption of mercy flights to both sides of the southern civil war, relief officials said on Sunday, Reuter reports from Addis Abeba.

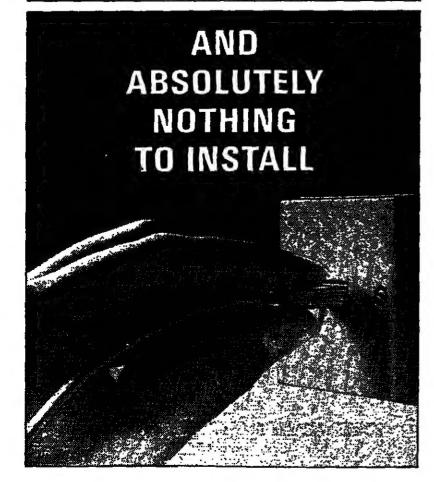
Hundreds of thousands of Sudanese could starve unless food reaches the region before the April-October rainy season. the April-October rainy season. The United Nations officials

believed until Saturday that the rebel Sudan People's Liberation Army would let the flights begin and argue about the share-out later.

Now, a relief source say the

rebels "are saying that the dif-ference of figures has to be resolved first, and that until it is resolved they will not agree to a resumption of flights." Khartoum banned foreign relief flights on November 3.

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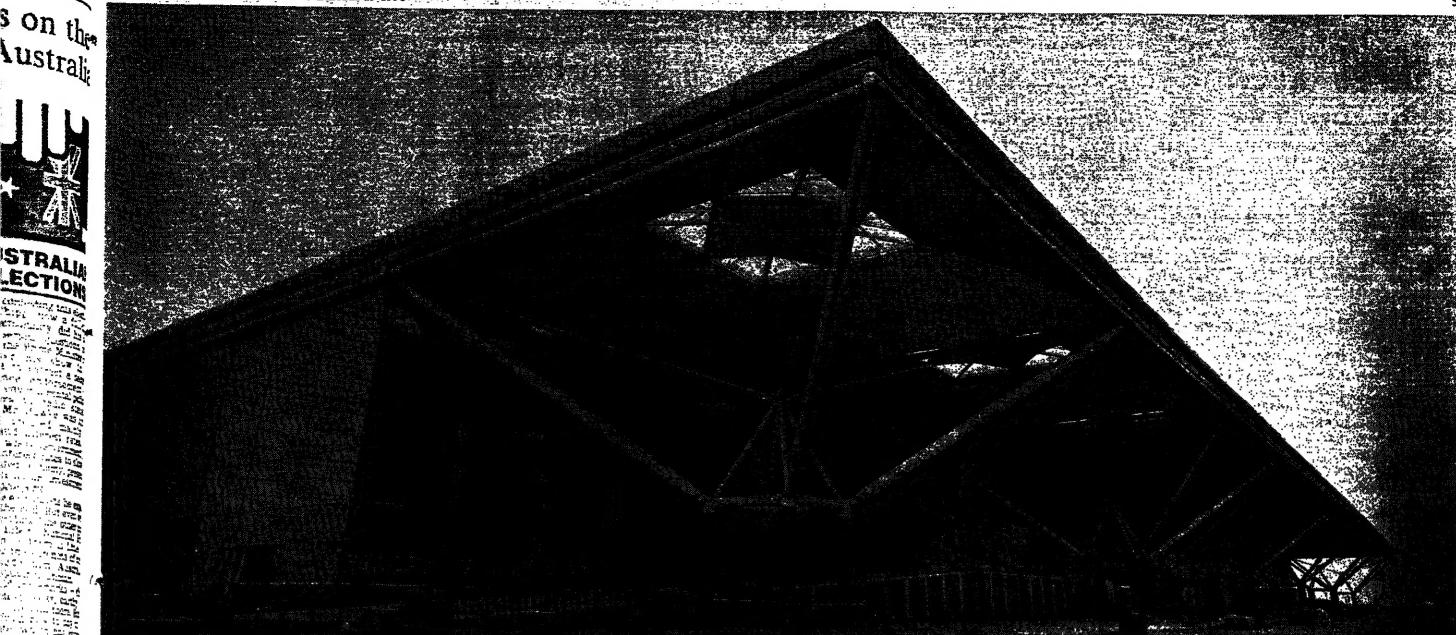


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OVERSEAS NEWS

ready for Mexico says Mulroney

CANADA has "huge pools of investment capital" which could be directed to Mexico, Mr Brian Mulroney, Canada's Prime Minister, said at the end of threaday visit here, during cf three-day visit here, during which he signed 10 bilateral accords with President Carlos Salinas de Gortari.

He described the economic framework accords to the conomic framework accorded to the conomic framework according to t

He described the economic framework agreement aimed at stimulating investment and trade flows as "a jumping-off point for a greater degree of co-operation between Mexico and Canada as the months and years roll by."

Mr Mulroney also said that Canada's decision to become a member of the Organisation of American States had been greeted by Mr Salinas as "one of the most important events

greeted by Mr Salinas as one of the most important events since its foundation."

The two leaders had found they had similar views on the internationalisation of industry he told a press conference.

Auxious to lessen US domina-tion in trade and investment in Mexico, Mr Salinas hailed the

visit and agreements as signifying "a new era characterised by closeness in economic, com-mercial and political rela-

Apart from the framework agreement, accords were signed relating to co-operation in combating drug trafficking and addiction, extradition, and exchanges relating to tax infor-mation. Others areas covered protection of the environment, agriculture, forestry, tourism, culture and customs.

The possibility of Mexico joining the North American

Free Trade Area was not discussed, Mr Muironey added.
But he thought the thrust of Mr Salinas' policies was towards greater integration with the US.

Whether this emerges into a more formalised relationship over the next decade I don't know." Mr Mulroney was accompanied by a group of business leaders. Mr John Crosbie, Canada's Minister of Trade, is due here next month.

Ottawa trade treaty talks

MR Brian Mulroney, Canada's Prime Minister, met last night with leaders of 12 Caribbean countries in Barbados to discuss Canada's trade and eco-aomic links with the region, Canute James writes. The sum-mit was expected to discuss possible changes to a trade treaty between Ottawa and several Caribbean countries, which allows duty-free entry to the Canadian market.

Since Caribcan was implemented six years ago, several Caribbean leaders have sought changes, including a widening of the list of products granted preferential entry to Canada, and relaxation of the criteria determining duty-free access. Canada's economic interes is significant, with investments valued at about C\$4bn (£1.9bn). Canadian-Caribbean trade

totals about C\$600m a year.

Canada investment | Threat or opportunity for Caribbean?

Banana growers face up to single market; Canute James reports

OR Mr James Mitchell, Prime Minister of St Vincent, there is little argument about how the Carlb-bean should deal with the likely economic impact of the creation of a single European market after 1992. "We must not be frightened of what will happen in Europe after 1992," he says. "Is the single European market after 1994," EUROPEAN MARKET pean market a threat or an opportunity? It can be both for the Caribbean. It is an opportu-

nity if we are wise and imagi-native - a threat if we are

Wisdom and imagination is

what Mr Mitchell and other Carlbbean leaders will need in

dealing with one potentially damaging problem. St Vincent and the other islands of the

Windwards group – St Lucia, Dominica and Grenada – have

made much of a protected mar-

ket in Britain for their

The four islands account for seven out of every 10 bananas eaten in Britain, and the reve-

nues, estimated at \$160m (£94m) a year, provide the basis for their economies.

Removal of these earnings will affect the Windwards and the Leeward Islands, which share a common currency and have closely-linked economies. Pref-

crosery-inaged economies. Preferential access for bananas to the UK market also shores up foreign earnings for the hard-pressed economies of Jamalca and Belize.

With the intended disappear-ance of internal EC frontiers after 1992 will go the ability of Britain (and France and Italy).

Britain (and France and Italy), to offer its traditional suppliers a protected market. Caribbean bananas will have to compets

in the British market with fruit

from Latin America which already dominates the rest of the EC. This prospect has

made the region uneasy because Caribbean bananas, like those from other producers in the African, Caribbean and Pacific (ACP) group, cannot compete successfully with Latin American fruit.

Mr Vaughan Lewis, directorgeneral of the Organisation of Eastern Caribbean States, an economic union of the Windward and Leward Islands.

ward and Leeward Islands, said: "The problem for Caribbean bananas is cost of produc-tion. In the Windward Islands, it is 30 per cent higher than in

Latin America."
Carlibean producers cannot achieve economies of scale to attain the output levels of Latin American fruit. Carlbbean bananas are produced on small plots, often in hilly ter-rain. Latin American production is mainly on large planta-tions in more amenable landscape – and with cheaper labour than in the Caribbeen. The concerns of Mr Mitchell and his colleagues about dere-gulation of the European mar-ket have been compounded by indications that the multinationals which operate in the Latin American countries are

preparing an assault on the EC market after 1992. The Caribbean has traditionally had difficulties with the quality of its fruit sold in Britain, especially its appearance. "Ours taste much better than Latin American fruit,"

The Dominican Republic, and Caribbean countries which export bananas to the UK, have ended a row over mar-kets by agreeing to send their fruit to different parts of Europe. The Commonwealth Caribbean producers were con-cerned about a Dominican Republic plan to produce about 104,000 tonnes of fruit a year for export to the UK. The republic had earlier said it would not ship bananas to Europe under the banana pro-tocol of the Lome Convention, which allows duty-free access to the EC, and of which the republic is a new signatory. It argues it was not shipping the bananas under the protocol, but paying the required duties on the fruit.

even in the unlikely event that Caribbean bananas can be treated similarly to those from other sources after 1992, Euro-pean housewives, fruiterers and greengrocers would be expected to be attracted more to the fruit which looks better. Caribbean government offi-cials and farmers' representa-tives conclude that the choices facing the region's industry are clear. The region can hope to convince Britain and the other EC members that Caribbean bananas deserve continued protection, and are worthy of a derogation after 1992. At the

Caribbean officials argue. But

other extreme, producers could consider abandoning the crop if it could not compete in Europe, and turn to other exports. Others suggest a com-promise - progressively reduced protection after 1992 while the region's producers, mainly the Windwards, diversify their farming sector

Ironically, the region has been confused by what would otherwise be comforting words. Caribbean banana producers have been told for some time by British government officials that efforts will be made to protect their preferential access. This was followed by the recent declaration by ministers from the BC and the ACP in the last round of Lomé negotiations that no ACP negotiations that no ACP banana exporter would be placed in a position less favourable than at present,

"This, like previous under-takings, is comforting," said one St Lucian official. "But we are still concerned about the are still concerned about the practical side of this. We are uncertain just how preferential access for our bananas will be permitted when this will be against the trend of all due to happen in Europe from the start of 1900."

start of 1998."
Mr Mitchell sees a possible Mr Mitchell sees a possible solution in a compromise. "Our policy is to protect bananas, then set the stage for diversification." he says. "But there are problems with diversification. We do not have the technical expertise to deal with new plants and crope. I am satisfied that with our climate, and market opportunities, we can produce new crops. The days of extensive agriculture are gone. We need to consider intensive agriculture."

While diversification of agri-culture has been accepted in the eastern Caribbean as unavoidable, practical difficul-ties remain. In the Windward Islands, farmers have mastered the art of banana production — despite relatively high costs on difficult terrain. They have come to terms with some pecu-liarities of the plant which make it suited to the region. It



Jamaica: difficult terrain and hard-pressed economy

is a cash crop, vulnerable to storms, but can be replanted and be bearing again in nine months. "Farmers in these islands have used traditional production methods and have benefited from a guaranteed market," said Mr Lewis. "It will be difficult to change farm-

ers' minds to new products."
The suitability of diversifica-tion has been questioned by Mr Anthony Slipper, managing director of the banana sector of Geest Industries, which mar-kets Windward Island bananas in Britain. "Agricultural diver-sification is not the answer for bananas," he argues. "The sta-tus quo must be maintained. Bananas are suited for the Caribbean islands because of their speed of growth and recovery from disasters, such as hurricanes. It will take time to get new products off the ground. What is needed is more efficient banana produc-

Mr Bowen Wells, Conserva-tive MP for Hertford and Stortford, and chairman of the Brit-ish Caribbean Parliamentary Group, said: "There is no alternative to diversification, but what can the Caribbean banana farmer diversify to? He needs to go into a high-value

crop." But, countered Mr Ben-brook Yates, director of techni-cal resources of Booker Tate Agribusiness of Britain: "Many Caribbean countries are not highly blessed with agricultural resources. What would the farmers do with 1,000 acres of tomatoes?

of tomatoes?
Concern about the future of
Caribbean bananas in Europe
has gone beyond arguments
about preferential access and
diversification. It has been cen-has stressed it does not nor produce bananas for export, produce bananas for export, and will not increase output to sell the fruit on the European market. The extent of the Caribbean's fear over the future of the market for the fruit was clear when Mr Mitchell said he and his fellow-Caribbean leaders want "cast-iron" bean leaders want "cast-iron assurances" from the DominiACCEPTANCE FORMS MUST BE SENT TO THE CHIEF REGISTRAR, BANK OF ENGLAND (CONVERSIONS), NEW CHANGE, LONDON, EC4M 9AA TO ARRIVE NOT LATER THAN 12.30 P.M. ON FRIDAY, 6TH APRIL 1990; OR LODGED AT THE CENTRAL GILTS OFFICE, BANK OF ENGLAND, 1 BANK BUILDINGS, PRINCES STREET, LONDON, EC2R SEU NOT LATER THAN 12.30 P.M. ON FRIDAY, 6TH APRIL 1990; OR LODGED AT ANY OF THE BRANCHES OR AGENCIES OF THE BANK OF ENGLAND NOT LATER THAN 3,30 P.M. ON THURSDAY, 5TH APRIL 1990.

OFFER OF CONVERSION TO HOLDERS OF 10 per cent CONVERSION STOCK, 2002 TO CONVERT INTO 92 per cent TREASURY STOCK, 2002

Application will be made to the Council of The International Stock Exchange for 91 per cent Treasury Stock, 2002 issued as a result of this conversion to be admitted to the Official List on Friday, 6th April 1990.

THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND are authorised to invite holders of 10 per cent Conversion Stock, 2002 to convert all or pert of their holdings into 92 per cent Tressury Stock, 2002 on 11th April 1990 at the rate of £101.80 nominal of 92 per cent Tressury Stock, 2002 per £100 nominal of 10 per cent Conversion Stock, 2002.

Holders who do not wish to convert any part of their holding

3 Registered holders of 10 per cent Conversion Stock, 2002 at the class of business on 7th March 1990 who exercise the option to convert on 11th April 1990 will receive the interest payment due on 11th April 1990. Interest at the rate of £3.6864 per £100 nominal of 99 per cent Treasury Stock, 2002 will be paid as on 27th August 1990 in respect of Stock issued as a result of the conversion.

4 Conversion will be into registered stock of 92 per cent Tressury Stock, 2002 which, subject to the provisions contained in this notice, will rank equally in all respects with Stock already issued and will be subject to the provisions of the prospectus dated 12th August 1985. Holdings of 10 per cent Conversion Stock, 2002 in respect of which the conversion option is exercised will be surrendered free from the conversion option is exercised will be surrendered free from the figure of the registered and exercised will be surrendered free from or all liens, charges and encumbrances and with all the rights now or hereafter attaching to them except the right to receive the interest payment due on 11th April 1990.

Method of acceptance

Copies of this notice and acceptance forms for completion are being sent by post to holders of 10 per cent Conversion Stock, 2002. In the case of joint accounts, the forms are being sent to the first of the holders whose registered address is in the United Kingdom (or, if none has such an address, to the first-named holder). Holders who wish to convert all or part of their holdings should complete the acceptance form. Stock resulting from this conversion may be added to existing holdings of 93 per cent Treasury Stock, 2002.

In the case of stockholders who are not members of the Central Gilts Office (CGO) Service, completed acceptance forms with stock certificates must be sent to the Chief Registrar, Bank of England (Conversions), New Change, London, EC4M 9AA to arrive not later than 12.30 P.M. ON FRIDAY, 6TH APRIL 1990; or lodged at the Central Gits Office, Bank of England, 1 Bank Buildings, Princes Street, London, EC2R SEU not later than 12.30 P.M. ON FRIDAY, 6TH APRIL 1990; or lodged at any of the Branches or Agencies of the Bank of England not later than 3.30 P.M. ON THURSDAY, 57H APRIL 1990. The Bank of England will acknowledge receipt of

In the case of stockholders who are members of the CGO Service, completed acceptance forms must be lodged at the Bank of England, Central Gits Office, 1 Bank Buildings, Princes Street, London, EC2R 8EU not later than 12.30 P.M. ON FRIDAY, 6TH APRIL 1990.

8 If a holder wishes to convert but cannot obtain an es 8 If a holder wishes to convert but cannot obtain an essential signature or document by 6th April 1990, the acceptance form, completed so far as possible, should be lodged in accordance with paragraphs 6 or 7 above, accompanied by a letter from a bank, solicitor or other professional adviser giving the reason for the acceptance being incomplete and undertaking to put it in order as soon as possible; it may then be possible to give effect to the acceptance. If there is insufficient time for the acceptance form to be lodged before the close of the offer, the holder may notify acceptance by facsimile (fex numbers 01 601 3470 or 01 601 5432) quoting brief particulars to (dentify the account and specifying the amount of 10 per cent Conversion Stock, 2002 to be converted; this should be followed without delay by a completed acceptance form and the certificates.

Arrangements for conversion

Arrangements for conversion

9 Up to and including 10th April 1990 holdings in respect of which
the conversion option has been exercised will be described on the
register as 10 per cent Conversion Stock, 2002 "Assented"; and
from 11th April 1990 until 25th July 1990 new holdings of 93 per
cent Treasury Stock, 2002 issued on conversion will be described on
the register as 93 per cent Treasury Stock, 2002 "A". Certificates for
the new holdings of 93 per cent Treasury Stock, 2002 "A" will be
issued as soon as possible after 11th April 1990.

10 Up to and including 6th April 1990, CGO account balances in respect of which the conversion option has been exercised will be described as 10 per cent Conversion Stock, 2002 "Assented"; and from 9th April 1990 until 23rd July 1990 balances in respect of 93 per cent Treasury Stock, 2002 issued on conversion will be described as 93 per cent Treasury Stock, 2002 "A".

11 Transfers of 10 per cent Conversion Stock, 2002 for which stock transfer forms are lodged for registration up to 12.30 p.m. on 6th April 1990 will carry the option to convert into 92 per cent Treasury Stock, 2002 on 11th April 1990.

12 Transfers of 10 per cent Conversion Stock, 2002 "Assented" lodged for registration or sent for certification should be accompanied by the Bank of England's acknowledgement of the receipt of the acceptance form or, if the acknowledgement has been lodged with an earlier transfer of the Stock, by the receipt

13 The interest due on 27th August 1990 will be paid separately on holdings of the existing 92 per cent Treasury Stock, 2002 and on holdings of 92 per cent Treasury Stock, 2002 "A" registered at the close of business on 25th July 1990; consequently, interest mandates, authorities for income tax exemption and other notifications recorded in respect of existing holdings of 92 per cent Treasury Stock, 2002 will not be applied to the payment of interest due on 27th August 1990 on holdings of "A" stock.

14 Where the conversion option has been exercised, any instructions for the payment of interest registered in respect of a holding of 10 per cent Conversion Stock, 2002 will be applied to the new holding of 92 per cent Tressury Stock, 2002 "A". Similarly, where instructions have been given by the Intend Revenue authorities for interest on the holding of 10 per cent Conversion Stock, 2002 to be paid without deduction of income tax, the instructions will be applied to the new holding of 92 per cent Tressury Stock, 2002 "A".

15 Transfers of 9½ per cent Treasury Stock, 2002 "A" may be lodged at the Bank of England for registration in that form up to 23rd July 1990. After that date, for purposes of certification, the "A" stock will not be distinguished from the existing 9½ per cent Treasury Stock, 2002. From the opening of business on 26th July 1990, the "A" stock will be amalgamated on the register with 9½ per cent Treasury Stock, 2002. CGO account balances will have been amalgamated from the opening of business on 24th July 1990.

16 Her Mejesty's Treasury have directed that Section 471 of the income and Corporation Taxes Act 1988 (which relates to the treatment for taxation purposes of financial concerns whose business consists wholly or partly in dealing in securities) shall apply to exchanges of securities arising from this offer.

Particulars of the issue of 92 per cent Treesury Stock, 2002. 17 The prospectus for 93 per cent Treesury Stock, 2002 deted 12th August 1985 included the following provisions:—

The Stock is an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961. The principal of and interest on the Stock is a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom

The Stock will be repeid at per on 27th August 2002. Interest is payable half-yearly on 27th February and 27th August. Income tax is deducted from payments of more

than £5 per annum. Interest warrants are transmitted by The Stock is registered at the Bank of England or at the Bank of Instand, Belfast, and is transferable, in multiples of one penny, by instrument in writing in accordance with the Stock Transfer Act 1963. Transfers are free of stamp duty.

Stock registered at the Bank of England held for the account of members of the CGO Service is also transferable, in multiples of one parmy, by exempt transfer in accordance with the Stock Transfer Act 1982 and the relevant secondary legislation.

Additional copies of this notice, the periodians of 92 per cent Treasury Stock, 2002 and forms for the acceptance of the conversion offer may be obtained at the Bank of England, New Change, London, EC4M 9AA; at the Central Gifts Office, Bank of England, 1 Bank Buildings, Princes Street, London, EC2R 8EU, or at any of the Branches or Agencies of the Bank of England; at the Bank of Ireland, Moyne Buildings, 1st Floor, 20 Callender Street, PT1 EDN or the Street PT1 Sellings. Beifast, BT1 5BN; or at any office of The International Stock Exchange in the United Kingdom.

19 Members of the CGO Service may obtain further guidance about the arrangements set out above in relation to their accounts by contacting the Central Gifts Office, Bank of England.

STOCKHOLDERS UNCERTAIN AS TO THE BEST COURSE TO FOLLOW SHOULD CONSULT THEIR STOCKBROKER, BANK MANAGER, SOLICITOR, PROFESSIONAL ADVISER. SOLICITOR, ACCOUNTANT

Attention is drawn to the statement issued by Her Majesty's Treasury on 29th May 1985 which explained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective servants or agents undertake to disclose tax changes decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, the further amount of 93 per cent Treasury Stock, 2002 is issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation. aside nor give rise to any claim for compensation.

BANK OF ENGLAND

Grenada poll followed by political confusion

By Canute James in Kingston

THE eastern Caribbean island of Grenada has been overtaken by political confusion following an indecisive general election just under a week ago.

An attempt to create a coalition government and end several days of stalemate over a new government has been made uncertain by the vaciliation of a key player.

Mr Ben Jones, the former

Prime Minister, who was ear-lier reported to have become a minority partner in a coalition, has now said he made no such commitment.

This followed the swearing in as Prime Minister of Mr olas Brathwaite. k the National Democratic Congress, which took seven of the 15 seats in last Tuesday's elec-Party took only two seats, had delayed stepping down, but did so after a meeting with Sir Paul Scoon, the Governor-General. Sir Paul is reported to have told Mr Jones to resign or he would have his appointment

After he was sworn in, Mr Brathwalte said he had the support of Mr Jones and the other successful National Party other successful National Party candidate, giving the Government a workable parliamentary majority of nine to six.

Mr Jones is crucial to the formation of any new government. He is being courted not only by Mr Brathwaite's NDC, but also by the Grenada United Labour Party of Sir Rric Gairy, another former Prime Minister, which took four seets, and the New National Party of Mr Keith Mitchell, which took two seats.

name a Cabinet this week, but the acid test for his minority government will come when the new parliament is con-vened. If the new Prime Minister cannot lure at least one other MP to fight off an expec-ted early vote of confidence, the island of 120,000 people will again have to deal with a general election.

Opec oil price pressure

PRESSURE to put up the price of oil is building within the Organisation of Petroleum Exporting Counties, which con-cluded a ministerial meeting in Vienna at the weekend, Steven

Butler reports.
The ministers took no formal action other than to reaffirm the production agreement reached in November, which called for a 22m barrel a day production ceiling and an \$18 minimum reference price for the basket of Opec crudes.

argued strongly in closed-door sessions that the cartel should take action to raise the price of oil above the current target of \$18. The market price is cur-rently alightly above this level. Although a Libyan proposal to lift the minimum price immediately to \$20 was not acted upon, sympathy for pushing up the price of oil was widespread among ministers, with the notable exception of

WORLD ECONOMIC INDICATORS

FOREIGN EXCHANGE RESERVES (USSm) 56,862 77,992 9,760 44,278 Nov. '89 14,940 Oct. '89 49,943 91,223 7,876 33,137 Dec. 38 22,358 54,814 78,005 9,431 9.941 46,001 Dec. 89 15,027 42,110 Oct. '89 14,621

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Girozentrale und Bank der österreichischen

panese Yen 10,000,000,000 pating Rate Notes due 1995 For the six months 19th March 1990 19th September 19

In secondance with the provisions of the Notes, notice is hereby give that the rate of interest has been fined at 6.95 per cent. per amount, and that the interest peophie on the Interest Payment Date 19th September 1990 against Coupon. Not. 4 will be Yes 1,503,562 per Yen 100,000,000 Note.

The industrial Brak of Japan, Agent Bunk

BERGEN BANK A/S Yen 9,000,000,000 Floating Rate Notes Due 1993 Yen 11,250,000,000 Inverse Floating Rate Notes Due 1993

In accordance with the provisions of the Notes, notice is hereby given that the rates of interest for the paried from 18th March, 1980 to 18th March, 1991 have been fixed at 8,5000 per cent. Per ansum payesty on 19th March, 1991 in the anyound of Yess 850,000 per decontraction in respect of floating reterances, and at 1,75800 per cent. Per ansum payethe on 18th March, 1991 in the amount of Yes 175,500 per denomination in respect of threets 8 floating ansum payethe on 18th March, 1991 in the amount of Yes 175,500 per denomination in respect of inverse 8 floating

NOTICE TO THE HOLDERS OF DAIWA SECURITIES CO. LTD.

Personnt to Condition 5 (e) (miled the Terrons and conditions of the above-mentioned Bonds, notice a hereby gives as follows.

1. On 5th March, 1990 the Sparel of Directors of the Company resolved to trake a fixe slide-the-tion of shares of its Common Stock to share-bolders of others of the Common Stock to share-bolders of course of State March, 1980 at the rate of 0.03 new share for each abare held.

2. Accordingly, the conversion prices at which rate of 0.03 new share for each abare held.
Accordingly, the conversion prices at which
the 1996 Bonda and the 1996 Bonda may be
converted into shares of Common Stock of the
Company will be adjusted effective as of 1st
April, 1990, 1990 a lime. The conversion prices
in effect prior to such adjustement, are Year
418.2 for the 1996 Bonda for 432.5 for the
1996 Bonda, and the adjusted Conversion prices
will be Year 463.5 for the 1996 Bonda and Tim
413.7 for the 1996 Bonda and Tim

DATHA SECURITIES CO. LTD. Dated: 19th March, 1990

NOTICE OF REDEMPTION

France

MORTGAGE FUNDING CORPORATION NO. 3 PLC

Class C-1 Mortgage Backed Floating Rate Notes Due October 2023

NOTICE IS HEREBY GIVEN to Bankers Trustee Company Limited (the "Trustee") and to the holders of the Class C-1 Mortgage Backed Floating Rate Notes Due October 2023 (the "Class C-1 Notes") of Mortgage Funding Corporation No. 3 PLC (the "Issuer") that, pursuant to the Trust Deed dated 21st October, 1988 (the "Trust Deed"), between the Issuer and the Trustee, and the Agency Agreement dated 21st October, 1988 (the "Agency Agreement"), between the Issuer and Morgan Guaranty Trust Company of New York (the "Principal Paying Agent") and others, the Issuer has determined that in accordance with the Redemption provisions set out in the Terms and Conditions of the Class C-1 Notes, Class C-1 Notes in the amount of £4,000,000 will be redeemed on 2nd April, 1990 (the "Redemption Date"). The Class C-1 Notes selected by drawing in lots of £100,000 for redemption on the Redemption Date at a redemption price (the "Redemption Price") equal to their principal amount, together with accrued interest thereon are as follows:

OUTSTANDING CLASS C-1 NOTES OF £100,000 EACH BEARING THE DISTINCTIVE SERIAL NUMBERS SET OUT BELOW

Bearer Notes The Class C-1 Notes may be surrendered for redemption at the specified office of any of the Paying Agents, which are as follows:

Morgan Guaranty Trust Company of New York PO Box 161 1 Angel Court London EC2R 7AE

Union de Banques Suisses (Luxembourg) S.A. 36-38 Grand-rue

Dated: March 19, 1990

Morgan Guaranty Trust Company of New York Avenue des Arts 35 B-1040 Brussels, Belgium Morgan Guaranty Trust Company of New York 30 West Broadway New York, New York 10015 Attn: Corporate Trust Administration

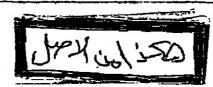
OF NEW YORK, as Principal Paying Agent

In respect of Bearer Class C-I Notes, the Redemption Price will be paid upon presentation and surrender, on or after the Redemption Date, of such Notes together with all unmatured coupons and talous appertaining thereto. Such payment will be made (1) in sterling at the specified office of the Paying Agent in London or (ii) at the specified office of any Paying Agent listed above by sterling cheque drawn on, or at the option of the holder by transfer to a sterling account maintained by the payce with, a Town Clearing branch of a bank in London. On or after the Redemption Date interest shall cease to accrue on the Class C-1 Notes which are the subject of this Notice of Redemption. of this Notice of Reden

MORTGAGE FUNDING CORPORATION NO. 3 PLC
By- MOBGAN GUABANTY TRUST COMPANY

NOTICE

Withholding of 20% of gross redemption proceeds of any payment made within the United States is required by the Interest and Dividend Tax Compliance Act of 1983 unless the paying agency has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the Payee. Please furnish a properly completed Form W-9 or exemption certificate or equivalent if presenting your Class C-1 Notes to the paying agency's



Computer groups to fight tax ruling on expenses

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COMPUTER software and services companies are chal-lenging the inland Revenue these payments will cost the industry millions of pounds a year and reduce its international competitiveness.

They have decided to set up a 2000 000 ficting and to all the set up a 2000 000 ficting and to all the set up

a £200,060 fighting fund to challenge a tax on living expenses of employees working away from home over long periods. The decision follows a long and Taken of Barrell actimonious battle over what the industry sees as unfair tax treatment. Many companies have withheld payments for several years in the absence of a clear ruling on the issue. Vista Computing Services, a specialist in systems for pub-lishers and printers, with sales of about SSn. intended to exceed

Bridge of with the of about £8m, intends to spear-head the fight with financial help from fellow members of the industry's trade body, the Computing Services Associa-

tion (CSA). Mr Patrick Whale, of the technology consultancy Peat Marwick, who has been co-ordinating the CSA's campaign against the tax, said it was one

the European Monetary Sys-tem (EMS) would raise Britain's exports to the Euro-pean Community (EC), accord-ing to a survey of manufactur-

ers released today.

The survey, conducted by the Confederation of British industry (CBI) and management consultants Price Water-

house, suggests that exports could rise by nearly 53bn in the first year after entry into the EMS exchange rate mechanism (ERM) and by around

man (EKM) and by around 24bn a year over five years. It was carried out in Decem-ber and January and covered 80 companies, responsible for 6 per cent of total UK manufac-turing exports and 8 per cent

of manufacturing output. Nearly two thirds of compa-

By Peter Norman, Economics Correspondent ::

FULL British membership of nies polled said that the

the profitability of the UK com-puting services industry. With a heavy cost handicap. Not only would companies Computing services compa-

have to pay substantially increased tax bills in the current year, he said, but the Inland Revenue had the power to demand six years' back tax. The CSA says that if it loses the battle, it will have to pass on the cost of the extra taxes to customers, pushing up the cost of computing in the UK and undermining UK companies' competitiveness in

Europe. The dispute may also have implications for other service industries. The Inland Revenue takes the view that an employee who works for most of the time at a number of different sites has no fixed place of business. Each site is his or her place of work at the time. In conse-quence, travelling and subsistence expenses are incurred in getting to work rather than in the course of the job and are therefore subject to tax.

Mr Alan Smith, Vista manag-

ing director, said this was inequitable and uncommercial Unless the Inland Revenue changed its attitude, UK com-puting services firms would

Full EMS membership would

lift exports, say manufacturers

greater exchange-rate stability of the EMS would encourage them to export more to the EC. Most expected to increase their

exports by 5 to 10 per cent in the short term and 10 to 15 per cent in the long term. Mr David Lees, chairman of

Guest Keen and Nettlefolds; and the CBI's economic and

financial policy committee, said the survey results "under-line the importance to business

and the economy as a whole of the UK joining the ERM." The CBI found that ERM

entry could produce significant savings in the cost of hedging

against exchange rate move-ments. Exporters might save

£100m a year in the short term.

Looking further shead towards the possibility of eco-

nies say one of their most prof-itable business activities is pro-viding skilled staff to work with their customers own data processing staff at their own sites. Some regularly commute from one and of the country to

Vista, for example, has some 50 staff, 30 of whom are permanently away from the com-pany's Soho Square head office, working on customers' sites in the UK and Europe. Tax costs on staff travelling expenses would run into six figures. Mr Ron Gaskill, Vista financial controller said. The Inland Revenue's hand, he said, had been strengthened

by a recent case, Ederkin v Hindmarch, which had been fought and lost by a consultant anginear. Vista hoped to have that judgment reversed to establish clear rules for expense payments. The Inland Revenue con-

firmed late last week that it would seek tax on expenses paid for travelling to work; it was not aware of Vista's intended action.

nomic and monetary union in

the EC, the survey also found that many companies saw advantages to the European Currency Enit (ECU) being accepted as a single currency to accompany fixed exchange rates in the Community.

The main benefits would be

The Exchange Rate Mecha-

who are benefiting from higher interest rates — with small mortgages and/or substantial savings — are taking more long-haul holidays, according to American Express Holidays.

The company said that bookings for American holidays were 55 per cent higher in January than in the January 1989.

• Cornwall hopes to make a money-spinner out of its tin mining - not out of the tin, but from tourists, writes Hozel

Six organisations with an interest in this part of Cornwall — including Cornwall County Council and Ketrier District Council — have

nism and UK Manufacturing along the Red River valley and Reports. CBL Centre Point, 103 former mineral transways, and the Conservation of a 6,000-10U, £29 (members £10). year-old hillfort.

Britons set to holiday at home this year

By David Churchill. Leisure Industries Correspondent

MORE Brittons are expected to holiday at home this year, according to a survey from the English Tourist Board.

It reports that 24 out of 29 holiday operators who specialise in UK holidays say that bookings are running at a higher level than last year, when the record amount of sunshine helped give domestic tourism its best summer trade

for several years.

Just over half the operators surveyed report that bookings are at least 10 per cent higher than at the same time last

year.
The buoyancy in bookings for holidays in Britain is in contrast to the 20 per cent decline in demand for Mediterrenean package holidays this High interest rates are

lamed for this. Those Britans who are benefiting from

from tourists, writes Hazel Duffy. Consultants have been appointed to examine ways of exploiting the tourist potential of inland areas.

The main benefits would be cheaper and simpler import and export procedures. However, a substantial number of companies also said they feared increased access to UK markets by European competitions if the ECU were established either as a parallel currency or as the saly European currency.

Machan development economists and planners, to prepare an environmental strategy for the area around Camborne and Redruth.

The consultants will assess measures already under consideration by the local anthority, like the reclamation of derelict land, the development of footpaths and cycleways appointed Roger Tym and Partners, development econo-mists and planners, to prepare an environmental strategy for the area around Camborne and

of footpaths and cycleways along the Red River valley and former mineral tramways, and

Irony behind the extradition issue

Kieran Cooke suggests the Irish courts have been 'playing the game'

the Supreme Court of the Republic of Ireland not to extradite to Northern Ireland Mr Dermot Finucane and Mr James Clarke - two of the republican prisoners who took pert in a mass breakout from the Mase prison near Belfast in

A minority here - a very small minority - sees the Supreme Court judgment as one in the eye for Britain, the old colonial enemy, and a vic-tury for the cause of Irish free-

dom.

Meanwhile, some Tory backbenchers, seemingly encouraged in their views by Mrs
Thatcher and supported by sections of the British media, see
it as yet another example of
Irish duplicity. The Irish have
failed to extradite two conwicked terrorists. They refuse victed terrorists. They refuse to play the game. Yet, a look at the decision by

Yet, a look at the decision by the five judges shows that on this occasion, the Irish were very much playing the game. Much of the judgment of the Supreme Court seems to have been influenced by a previous legal decision.

The irony is that it was reached not in an Irish court.

reached not in an Irish court, but in a British one. In 1968, Mr Brian Pettigrew, a Maze prisoner, alleged in the High Court in Belfast that in the aftermath of the 1983 breakout, warders had indulged in systematic vio-lence against republican pris-

oners.

Some had been forced to run
the gauntlet of lines of warders, being kicked by the ward-

TIERE was more than a fouch of irony about the decision last week by t Ireland, awarded Mr Pettigrew £3,000 damages.

Further court actions have followed. More than 40 present or former inmates of the Mare or former immates of the mage have now been awarded a total of more than 250,000 damages for injuries sustained at the prison after the breakout.

While Dublin and Belfast are clearly separate legal jurisdic-tions, judges can be influenced by decisions reached in each other's courts. Most Belfast

and Dublin judges know and respect each other.

In their judgment on Mr Finucane and Mr Clarke, the Dublin judges expressed concernithat none of the prison officers involved in the violence had been prosecuted. Many were still working at the Maze.

The judges concluded that still working at the Mage.
The judges concluded that
Mr Finucane and Mr Clarke
could be mistreated if returned
to the Maze. Their constitutional rights had to be pro-

There is no doubt that last week's judgment turns much of the extradition process on its head. The implication of the judgment is not only that there were problems in the Maze, the main destination for terrorist offenders, but that there still

Therefore others extradited to the Maze could be subject to

There is another serious implication for future extradition cases buried in the pages of the Supreme Court decision. In the past, the IRA has claimed that its offences were politically motivated and there-

fore people should not be extra-dited from the Irish Republic. The Supreme Court Judges in the Republic seemed to imply that such defences would be accepted in the

The British authorities have been quick to condemn such an idea as a slur on the prison service. Suggestions that pris-oners could be sent to other prisons have been dismissed - it is felt that this would be tantamount to admitting that all was not well at the Maze, a prison where there has been

wery little trouble recently.

The Irish government has
stressed the independence of
Irish courts and wants talks with Britain on ways of improving the complex extradi-tion process.

Ireland says that in the past Britain has frustrated attempts

to reform the extradition process or make it work more effectively. It also makes no secret of its anger about repeated suggestions by Mrs Thatcher that the Republic is a safe haven for terrorists.

The Irish police and prison service, which have expended a great deal of energy and resources tracking down and detaining people such as Mr Finucane and Mr Clarke, have made it clear that they are as made it clear that they are as anxious as anyone to improve

the system.

They point out that last year Mr Paul Kane, another Maze escapee, was extradited to Northern Ireland, amid considerable publicity and after a lengthy legal process in the Republic of Ireland. He was subsequently released by the British authorities.



Owen Carron in London: as an MP he backed the protests of Maze prisoners

The legal battles are set to month the Irish Republic's Supreme Court will hear an Mr Owen Carron, the former Westminster MP, wanted in Northern Ireland on charges relating to possession of a firearm. Four other cases are pending. It seems the extradi-tion issue will plague relations between Britain and Ireland for some time to come.

St Patrick's Day revels are marred by violence

VIOLENCE marred several St Patrick's Day celebrations in ireland yesterday and on Sat-urday. Plastic bullets were fired in Dungannon, Co Tyrone, yesterday when a crowd attacked Royal Ulster Constabulary vehicles near the

town centre after a parade.

The RUC described as "ferocions" an attack by a crowd on their station at nearby Coalis-land. About 60 petrol bombs were thrown at the station on Saturday night. A youth was taken to hospi-tal suffering from injuries after

tal suffering from injuries after one of the trucks overturned. The RUC said plastic bullets were fired at rioters.

In Duhlin a father of three from Telford, Shropehire, was stabbed to death as he walked over O'Connell Bridge. Mr Kieron Farmer, 33, had been attending the stag night party of a friend.

Elsewhere in Duhlin a police.

. Elsewhere in Dublin a policeman was hit by a crossbow bolt fired from a motorcycle.

Cardiff wins £5m olive pest control contract

UNIVERSITY of Wales College, Cardiff, has been awarded a

varsity college.
However, in spite of £50m a

ods of pest control, including the manipulation of parasites and predators against pests and the use of sex-attractant

working with a local partner, Agrisanse BCS, and another nine in Spain, Italy and Greece, the main olive-growing coun-

cent of the £3bn a year output. The research programme

COMPANY NOTICES

TOTHEROLDERS OF

MITSUBISHI OIL COMPANY, LIMITED with Warrant (the "1988 Warrants")

U.S.\$250,000,000 4 1/s per cent. Notes due 1993 with Warrants

(the "1989 Warrants") NOTICE OF ADJUSTMENTS OF SUBSCRIPTION PRICES

Pursuant to Clause 4 of the Instrument dated 19th May, 1988 relating to the 1988 Warrants (the "1988 Instrument and Clause 4 of the Instrument dated 9th February, 1989 relating to the 1989 Warrants (the "1989 Instrument"), notice is hereby given that Mitsubishi Oil Company, Limited has adjusted the Subscription Prices (at which shares are issuable upon exercise of the 1988 and 1989 Warrants) due to the issuances on 15th March, 1990 of its U.S.\$250,000,000 23/s per cent. Notes due 1994 with Warrants and Swiss Francs 200,000,000 Zero Coupon Swiss Franc Convertible Notes due 1994, the subscription or conversion price of which is less than the current market price per Share (as defined in the 1988 or 1989 Instrument, as the case may be). The Subscription Prices for the 1988 and 1989 Warrants have been adjusted in accordance with Condition 7 of the 1988 and 1989 Warrants, from Yen 720.00 per share of common stock to Yen 707.90 per share of common stock for the 1988 Warrants and from Yen 1,466.00 per share of common stock to Yen 1,441.30

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The Financial Times proposes to publish this

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For a full editorial synopsis and advertisement

details, please contact:

Meyrick Simmonds

on 01-873 4540

or write to him at:

Number One

Southwark Bridge

London

SEI 9HL

FINANCIAL TIMES

per share of common stock for the 1989 Warrants, effective

as of 15th March, 1990.

Cardiff, has been awarded a 25m contract to develop a system of pest control for clives, writes Anthony Moreton, Weish Correspondent.

Europe is the source of 80 per cent of the world's clive oil and half of the clives which are eaten, according to the university college.

year spent on pesticides, dis-eases cause crop loases esti-mated at between 15 and 30 per

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Bank of Scotland announces the following improved rate structures for

investment accounts with effect from

2nd April 1990:

11.11

10.53

11.31

10.92

10.72

10.33

2.97

NET CAR = The effective net annual rate of interest

GROSS EQUIVALENT CAR = The effective gross

granual rate of interest which basic rate toxpayers would require to receive to earn the equivalent of the NET CAR.

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11.05

NET CARE

11.80

11,38

11.16

15,60

15.02

14.74

15.73

15.17

14.89

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BALANCES

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Less than £10,000

Interest paid monthly

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£100,000+

E50,000-E99,999

£25,000-£49,999

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Less then £2,500

Interest paid quarterly

FRIDAY

A40





A470



One picture is worth a thousand words - and these two pictures illustrate one of the many differences that you'll find living and working in the Cynon Valley. Some of the successful companies that have expanded or relocated in this South Wales valley are Hitachi, Pirelli, A.B. Electronics, Lonhro . . . Why don't you pay us a visit .

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> 0685 882515



UK NEWS

Import deal near on French power out to stop

LARGE-SCALE imports of

Fife police

criminals

By Richard Donkin

force will be equipped with a scrambling device to prevent eavesdropping by criminals, thought to be a growing prob-

tronics company based in Inverkeithing, near Edinburgh, has won a contract worth more than 2100,000 to supply Fife police with voice scramblers for all its radios, including personal radios used by heat constables.

by beat constables.

The company claims Fife will be the first police force in

Europe to operate a secure voice system on all personal, mobile and base radios. Mr Graham Bennet, an

assistant chief constable at

assistant color constants at Fife, said a six-month trial of radios using the scramblers in Glenrothes had resulted in "a noticeable reduction" in crime, particularly burglaries at pub-lic houses and clubs. He said teams of criminals

had been using commercially available sophisticated radio

scanners to monitor police frequencies. "We have changed over our frequencies to combat

this but we are aware that criminals are trying to tune into the new frequency," he

Mr Timothy Laing, chief executive of Cairntech, com-

lained that the Home Office

was dragging its feet over approving the system in England in spite of success in

trials in Scotland. He said: "We are surprised

by the English Home Office delay in approving this sys-

tem, given its proven success in Scotland and with other Government and Ministry of

Defence users. The recent rise

in crime must give them cause

A number of English police forces are known to be increas-ingly concerned about the use by criminals of scanners that cover the entire radio fre-

and Wales appeared to be meeting some resistance in the Home Office.

The Home Office recently

approved the sale of radios approved the sale of radios equipped with scramblers to specialised police departments such as drug squads, but the system is purpose-built and does not extend to small

nobile radios. The Cairntech product, a

niniature voice encryption device, can be integrated into existing equipment, which the company claims makes it more cost-effective. The Home Office

lebate is thought to centre on

whether voice scramblers are needed throughout an entire

NOTICE TO HOLDERS OF

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Warrants to subscribe for shares of Common Shock of Delwa Securities Co. Ltd. huma in Ltd. 120,000,000 2-% per cont. inside due 1991 (the "1991 Warrants") and U.S. 300,000,000 3% nor cont.

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L. On 9th March, 1990 the Board of Divertices of
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shareholders of records and 21st March, 1950
at the raise of 0.03 new share for each share

DANNA SECURITIES CO. LTD.

By: The Bank of Tokyo Breat Company on Disturpmental Agent

French electricity are expected to be resumed shortly under a listening in to be resumed staying these a commercial arrangement being finalised between the UK industry and Electricité de France, the French state POLICE IN Fife will be able to owned utility.

The electricity, from nuclear power stations in northern Tango Foxtrot in privacy from the beginning of April when every radio in the Scottish

France, would flow through cables under the English Channel which can transmit the entire output of a 2,000MW power station. Agreement is believed to

have been reached between EdF and representatives of the 12 area electricity distribution companies of England and Wales about a three-year supply contract covering 75 per cent of the link's maximum

capacity. All 12 area distribution companies in England and Wales will have options to buy the French power but initially only about six will be able to register the purchases as part of their obligatory quota of non-fossil-fuel electricity. Final agreement is under-

stood to be subject to parallel negotiations between EdF and National Grid over transmission charges. National Grid inherits the CEGB's title to the British half of the link on March 31, when the electricity industry moves

These negotiations recently stalled over National Grid's apparent wish to apply trans-mission charges to its half of

officially into the private sec-

the undersea cables. EdF. as the link's joint owner, angrily objected to being charged for current passing across the sea-bed. But it now says it under-stands the National Grid's need to show a return on its land-based part of the cross-

Channel equipment.

Governments of both countries have been involved in the talks and Mr John Wakeham, Energy Secretary, is believed to have helped to ease the

Edf has been negotiating in London through ALEC, a com-pany set up jointly last sum-mer by Edf and Associated Heat Services. Cross-Channel Cross-Channel power exchanges previously took place under a contract between

EdF and the CEGB, which ter-minated at the end of 1989. Since then there have been intermittent flows, mostly imports by EdF which has recently lost generating capacity because of faults on nuclear power stations and lack of water to maintain hydroclec-

The new contract has not yet been signed, but officials believe that outstanding differ-ences will be resolved in time for supplies to resume in

There might then be a fur ther brief delay caused by a prolonged off leakage from the cable terminals on the French side of the Channel, but EdF says this will be repaired

Companies join private gas-fired scheme

TWO electricity supply companies have joined the con-sortium planning to build a 2500m independent gas-fired power station at Barking Reach on the Thames in Lon-don, Canada's CU Power, don, Canada's CU Power, which operates in northern and western Canada, and Hydro Electric of Scotland (formerly the North of Scotland Hydro Electric Board) are to join Thames Power, which plans a 1,000MW plant on an existing power station site.

The move follows the withdrawal of Shell and Esso from a plan to build a 200MW, \$500m gas-fired power station at gas-fired power station at Shell's Shellhaven refinery on

THE GOVERNMENT is close to agreeing with the 12 area electricity boards the formulae which will control elecme which will control exe-tricity price changes after the industry's privatisation this year. The formulae will cover only about 30 per cent of a consumer's electricity bill.

launched the scheme in order

to develop the market for gas-fired electricity.

However, this market had now acquired a momentum of its own, leaving Shell free to concentrate on its own market-Shell's Shellhaven refinery on the Thames estuary. It originally considering a smaller com-

By joining the Thames Power project at Barking, the Scottish Hydro Board is mak-ing its second foray into the English electricity market. It recently amounced a plan to

recently amounced a plan to build a large gas-fired power station on Teesside in collaboration with Northern Electric, the former North East Electricity Board.

Mr Michael Corniah, Thames Power's chief executive, said yesterday that the addition of CU Power and Scottiah Hydro "further enhances Thames Power's shillty to meet the Power's ability to meet the demands, and take the oppor-tunities, of the power genera-

Construction of the plant is intended to begin in about 12 months, but the consortium will first have to successfully get through a public inquiry which will also examine the tival plans of the London Borough of Barking and Dagenham to put housing on the proposed site.

Mr Corrish said he was con-

Mr Cornish said he was con-fident of winning the inquiry, and claimed the land, cur-rently owned by National Power, was unsuitable for

In the expanded consortium, Schroder will hold 10 per cent of the shares, with the remain-ing 90 per cent divided equally among the four other share-holders.

Call for competitive milk market

By Bridget Bloom, Agriculture Correspondent

THE GOVERNMENT should abolish the monopoly exercised by the UK's milk marketing boards, Mr Andrew Dare, pres-ident of the Dairy Trades Federation, suggested at the week-end. He advocated that abolition should be the first stage in establishing a fully competitive market in milk and dairy products. Mr Dare's plea comes on the

quency spectrum. According to Mr Laing, in one raid by thieves on an electrical shop in Manchester the only goods stolen were scanners — televi-sions and other electrical prodeve of today's annual meeting between the Milk Marketing board for England and Wales - by far the largest of the five UK boards - and the DTF, which represents the dairy

sions and other electrical prod-nots were ignored.

Mr Laing said that while the Scottish Office had been impressed by the Fife trials, which he hoped would lead to further orders from through-out Scotland's eight police forces, the idea of fitting scrambling equipment across the 43 police forces in England

At stake is the 57-year-old monopoly under which the milk boards buy and sell on all

the milk produced by the UK's 44,000 dairy farmers. The boards and the DTF between them fix prices for that milk, depending on its end use.
Mr John Gummer, the Minister of Agriculture, has criticised the system. For the past six months, the two sides have been deadlocked over the

MMB's proposal to change the negotiated price-fixing process to a tendering system. According to Mr Dere, the DTF will today "formally and unequivocally" reject this proposal as creating an unevan playing field between the two

now equal partners in the price-fixing exercise. While the DIF will submit counter proposals, by Mr

Dare's own admission these are not for radical change, but "tinker with the existing system to bring it up to date."

"The basic problem is whether we have the system at all," Mr Dare said. "Unless and mutil the minister interpress to

until the minister intervenes to sholish the statutes enforcing the monopoly, that change will not come about."
The DTF believes that the UK should introduce a sys

UK should introduce a system comparable to that in most EC countries, where producers in regional co-operatives supply local creameries.
However, Mr Dare claims that this could have the result of increasing prices to farmers without a higher cost to

help Solidarity

UNITY TRUST, the trade

Two senior officials from Unity Trust, which is owned jointly by trade unions and the

The visit is being paid for out of the British Government's fund for Poland, which was set up last year to help provide advice.

Union bank to

union bank, is to advise the Solidarity trade union on set-ting up a bank in Poland, writes Richard Waters.

Co-op Bank, will visit Poland

provide advice.

Mr Gordon Beesley, managing director of Unity Trust
Bank, said: "We are keen to
help Solidarity and to determine how a corporate banking
sector can speed up the development of the Polish econ-

Due credit promised for hard cash

David Barchard on plans to alter rules governing credit cards

VER SINCE credit cards first appeared in the 1960s, many retailers have chafed at having to pay a commission to their banks each time a customer makes a purchase with a credit card, while being unable to charge customers less if they pay by

cash.
The grievance may soon be a thing of the past. This week, Mr John Redwood, the Consumer Affairs Minister, told the Commons he would intro-duce legislation very shortly, enabling retailers to charge customers less if they pay for goods or services in ca

goods or services in cash.

This is in line with the conclusions of last summer's report by the Monopolies and Mergers Commission on the credit card business that the "no-discrimination rule" (the stipulation by credit card organisations such as Visa and MasterCard that retailers must charge customers the same amount whether they pay by card or in cash) is undesirable because it restricts the power of retailers to set their own prices. The change could be in force by the summer, a lot sooner than if the Departm of Trade and Industry had left things to be thrashed out vol-untarily between banks and credit card organisations. Mr Redwood's decision to

held.
Accordingly, the subscription prices of the Marrants will be adjusted effective int April. 1990, Japan time. The subscription prices is deflect, prices to such adjustment are the LGE gar share of Common Stack for the 1991 Warrants and yes 2,550 per share of Common Stack for the 1991 Warrants and yes 2,550 per share of Common Stack for the 1992 Warrants, and the adjusted subscription price will be for 1,290,5 per share of Common Stock for the 1993 Warrants and yes 2,200 per share of Common Stock for the 1993 Warrants and yes 2,200 per share of Common Stock for the 1993 Warrants. force the pace seems to have been triggered by the decision by Visa International, the larg-est credit card network, to seek a judicial review over whether the MMC finding applies to it, "Politically it was not a



Ken Bignall: Chief Execu-tive of Barclaycard

clever thing for Visa to have done," says Mr Bob Woodman, spokesman for the Retail Con-sortium, a trade body which represents most UK retailers.

Retailers are delighted that the no-discrimination rule is ending and see it as a step towards a more competitive market. Mr Woodman, though, thinks that many retailers may not take advantage of their

new power.

Large retailers nowadays prefer to be paid by plastic and dislike the expense and security problems which come from handling cash. What they dislike the commissions are the commissions are the commissions. like are the commissions on credit cards. The flat charges on debit card transactions which are close to charges on cheques - they happily accept.



Gerry Hawkins: Lloyds Bank Assistant GM

The banks are deeply dis-mayed. Their initial reaction to the MMC report was that it was a damp sculb which had falled to address itself to the needs of a rapidly changing

In the banks' eyes, the Gov-ernment, personified in Mr Redwood and Mr Nicholas Ridley, the Trade and Industry Secretary, has come down firmly on the side of the retailers, just at a point when the two sides are locked in negotia-tions about sharing the cost of the electronic payment systems on which future genertions of shoppers will rely.

The confrontation between the banks and the Government over credit cards is slightly unusual for a Conservative

administration. It goes back two years to the day when Mrs Thatcher allegedly chopped up her credit card in protest at having her credit limit raised without her consent, although there are mutterings that the banks' unwillingness to oper-ate a student loans system has also played a part in the antag-onism. Banks claim that no one much wants cash disone-much wants cash discounts. They point out that the MMC report itself said that a survey of retailers showed that 49 per cent were against allowing discounts for cash payment, wille only 27 per cent were in favour. A survey of

"In our view customers who pay by credit card should not have to pay more than the amount of the retailers' service charge, which averages around 1.7 per cent," says Mr Gerry

Hawkins, Assistant General Manager at Lloyds Bank. "We are hearing of cases of retallers offering discounts of three per cent or more for cash when only paying a service charge of under two per cent." says one banker. The most open attack on the Governof has come from Barciays, the largest UK credit card

Mr Ken Bignall, chief executive of Barclaycard, this week warned that that the DTI's plans might leave consumers vercharged and confused Consumer groups disagree. They say that cash and cheque customers subsidise credit card

Pursuant to Clause 4 (A) of the Instrument dated June 30, 1988 under which the above described Warrants were issued, you are hereby notified that a free distribution of Shares of the Company at the rate of 0.03 share for each one share held will be made to shareholders of record as of March 31, 1990. As a result of such distribution, the Subscription Price at which shares are issuable upon exercise of the Warrants will be adjusted pursuant to Condition 7 of the Terms and Conditions of the Warrants from 1,749.46 Japanese Yen to 1,698.40 Japanese Yen effective as of April 1, 1990 (Japan Time). THE INDUSTRIAL BANK OF JAPAN Dated: March 19, 1990

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By Order of the Board Jane E. Lawson
Vice-President & Secretar Montreal, March 6, 1990

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UK NEWS

be thwarted in Spanish takeover

By Peter Bruce in Madrid and Hugo Dixon in London

BRITISH STEEL'S bid of about £250m to take control of the Jose Maria Aristrain group, Spain's largest producer of steel sections, may be under threat Ensidesa and Altos Hor-

threat. Ensides and Altos Hornos de Vizcaya (AHV), two of
the country's largest steelmakers, are thought to be close
to making a counter bid.

Such a move by Ensidesa,
which is part of the state
industrial holding group, Instituto Nacional De Industria
(IND) and AHV which is indi-(INI), and AHV, which is indi-rectly owned by the state, would be the first time Spanish interests had combined to thwart an acquisition of a local company by foreigners since Spain joined the European Economic Community in 1986.

Since then, foreign invest-ment has been the driving force behind the Spanish economy with inward acquisitions totalling more than \$20bn

Since its privatisation, British Steel has been actively looking for opportunities to expand overseas.

As well as being interested in the Grupo Jose Maria Aristrain, British Steel is also nego-tiating to purchase the German Kloeckner-Werke group's spe-cial sections and welded tube

Ensidesa and AHV are reported to be formulating a bid with the help of Spain's large state bank, the Instituto de Credito Oficial (ICO) which would at least match the Brit-ish Steel offer. Although Brit-ish Steel has not yet officially acknowledged that it is trying to buy Aristrain, it is known to be keen to expand in the Span-ish market and recently ish market and recently bought a small steel stock-holder in the Basque country. Aristrain, which is also Basque-based, is one of Spain's largest privately owned steel companies and its markets are in one of the few sectors of the Spanish economy still growing strongly. The managing direc-tor is thought to prefer a Span-ish takeover to a British one. Both Ensidesa and AHV,

which have only recently returned to operating profit-ability after years of losses, fear a strong British Steel pres-ence in Spain might rob them of an important customer and establish an important toe-hold in the country through which to import high quality steels.

Deadline passes without charge-cap decision

By Ralph Atkins

THE deadline by which local authorities had to set their budgets for the next financial year expired yesterday with no clear indications on how many will be community charge "capped" by Mr Chris Patten, the Environment Secretary.

Criteria for deciding which councils should be capped are being drawn up by the Depart-ment of the Environment. A survey published today shows the cost of administer-ing the community charge as a

ng the community charge as a principal reason why poll tax levels are so much higher than Government projections. The Local Government Information Unit's survey of 30

many are using balances to safeguard service levels and keep net expenditure low." Mr David Blunkett, LGIU president and Labour's local

local authorities shows that many authorities kept expendi-ture plans for 1990-91 within inflation levels. The Unit said: "Councils are

not taking advantage of the new system to levy high poll-taxes and boost balances. . .

president and Labour's local government spokesman, said: "This survey nails the myth... that high poll tax lavels are a result of local authorities salting away money or spending excessively."

British Steel may Industrialists only interested in industry's interest Charles Leadbeater reports on companies' hopes without optimism for a relaxation in monetary policy

BRITISH industry's most optimistic hopes for tomor-row's Budget are modest. It expects to get even less. Companies do not expect any

relaxation of corporation tax to offset high interest rates. Nor do they believe tax concessions would have much impact. Mr would have usual mance direc-tor of Bowthorpe Holdings, the electronics group, said: "You electronics group, said: "You cannot plan on the basis of tax breaks which could be

removed at a stroke."

The extent of the consensus among British industrialists is limited to two points. The Government cannot provide the solution to corporate difficul-ties through one-off measures. Most manufacturing companies expect a Budget which will pave the way for a more stable exchange rate and a cut in interest rates later in the

Mr Robert Tomkinson, finance director of Electrocom-ponents, said: "We need more continuity, more of a lead, a clearer path into the rest of the Mr Ism Fairfield, chairman of Chemring, the electronics group, concurred: "It cannot be

a givenway budget. It is going to be more of the same." Beyond that, industrialists' views differ according to their companies' dependance on the UK market, their exposure to the consumer goods sector and

Most of the pain is being borne by companies and sec-tors which are heavily reliant on the UK market. Those which have internation either through increasing exports or direct investment abroad, are affected far less by

British policy. The divide between the domestically and international-ly-oriented sides of British ry-oriented sides of British industry goes some way to explaining why it is taking longer than expected for higher interest rates to feed through into slower growth, weaker wage pressure and declining inflation.

The most vociferous in calling for a shift in economic pol-icy are those such as construction companies and heavy truck makers. Those compa-nies are heavily dependent on UK markets which have been hit hard by the interest rate

George Wimpey, the con-atruction group, last week reported a 7 per cent fall in profits for 1989. Sir Clifford Chetwood, the group's chairman and chief executive, said:
"Righ interest rates have ensured that 1990 is the first year of recession in the building industry for nine years. Turnover will continue to fall and the Government will have considerable difficulty in avoiding this recession becom-ing national for all industries in the UK."

Sir Clifford wants lower ied by a reduction in stamp duty and an increase in mortgage interest tax allowances.
Mr Cyril Acton, managing director of ERF, the Cheshire-based truck maker, said: "Peo-ple want trucks when they are

SALES of lift trucks used in factories and wareh fell by 16 per cent in the first two months of this year compared with the corresponding period of 1969, writes Nick Garnett. That confirms a trend begun last year of declining investment by companies in materials handling equipment. Total sales of lift trucks fell from 22,300 in 1988 to 19,300 last year. In January and February 3,080 lift trucks were sold in the UK

moving goods. Lower retail sales mean fewer goods are moving around. Interest rates are the key."

compared with 3,650 for the same months in 1989.

But Mr Acton expects very little comfort from the Chancellor. "R's going to be tinkering, he cannot afford to do anything else."

Most companies are relying on their own efforts, rather then on the Chancellor to see

than on the Chancellor, to see ERF is in a stronger position than it was in the early 1980s. It has used the growth of the past three years to prepare for a slowdown. In common with

other truck makers, it has

introduced cost cutting, includ-ing short-time working. It is also trying to expand exports from about 9 per cent of output to between 15 and 20 per cent. Even companies heavily dependent on UK sales have, as yet, escaped the worst of the squeeze where they operate in markets which are not linked to retail sales. Companies involved in cellular telecomations and the supply of

electronic components for

1990

ing growth.

Although slowing growth is starting to affect sectors such as car components distributors, many companies linked to the car industry have yet to feel the pinch. Their main concern is that interest rates should not the care industry have yet to feel. not rise again before coming down late this year.

Finally, for internationalised companies, with only about a third of their sales in the UK, the main significance of the Budget is how it might affect running an international busi-ness from a British hase.

Mr Peter Curry chairman of Unitech, the electronic compo-nants sympler, which makes

nemts supplier, which makes about a quarter of its sales in the UE, said: "One of the main tax issues is how advanced corporation tax in the UK cannot be offset against foreign prof-its. But as far as overall economic policy is concerned we have to be as concerned about growth in continental Europe, Japan and the United States." But even internationalised British companies would worry about a further rise in interest

thorpe Holdings, which earns about a third of its revenues in the UK, said: "If rates went up another point it would not make that much difference. But if they went up by 1% or 2 points it would get very

tough."

Most judge that the prospects for an interest rate cut depend on whether the economic cycle synchronises with the political cycle next year to allow the Government to ease policy in the run up to the gen-

rai election. What matters for industry is not so much the specifics, but the wider political significance of the Budget. Will it pave the way for a more relaxed mone-tary policy and a resurgence in the Government's popularity? The first signs are appearing that the Government's troubles over the economy and the political are clouding industry's judgments about the future.

One electronics company

and suppliers abroad are starting to talk about Mrs Thatcher's instability. It is definitely becoming a factor. If it looks as if Labour could get in then we would be very cau-tious about making long-term investments in the UK in the

investments in the UK in the next two years."

Mr Curry of Unitech concurred: "The possibility that the Government may change in two years is becoming an issue. The handling of the poll tax has been inept. The main issue would affect the UK as a base for interpretty policies. for internationalised businesses. People would probably wait and see before making any major moves. After all, some companies have made a lot of money out of Labour governments."

Greens to put forward higher taxes on motoring

THE GREEN Party will today propose introducing a "carbon tax," big increases in petrol duty and abolishing tax relief

onty and abolishing tax relief on company cars as part of a self-financing Budget for a "caring and sustainable" society, writes Ralph Atkins.

The Green Party's tax proposals will be unveiled on the eve of the Budget by Ms Sara Parkin, the party's most prominent speaker, as part of the by-election campaign in Mid-Staffordshire. The emphasis is

on increasing the incomes of the less well-off and switching spending towards resource conservation rather than conmontion.

A carbon tax, averaging 10

per cent of production costs, would be levied on all fessil fuels, varying according to their concentration of carbon and other pollutants such as sulphur. The tax would be raised progressively with the aim of cutting carbon dioxide — the main "greenhouse" gas

- by 20 per cent in 10 years.
Revenue raised by the new taxes would compensate for the party's spending proposals which included a 50 per cent increase in child benefit.

Abolition of tax relief on company cars would be offset by a requirement on employers with more than 50 staff to meet half the cost of their employ-ees' season tickets in an effort to encourage the use of public transport. On income taxes, the Green Party proposes raisallowance, from £2,785 to £4,100, in order to help low income families. Tax rates of 45 per cent on incomes above \$18,000 and 55 per cent on incomes above £30,000 would

he introduced. The Greens also propose spending £500m on community childcare facilities. The defence budget would be cut by £3.5bn but £1bn extra would be given to local government as an "emergency cash injection."

Net fall in National Savings

INVESTORS withdrew a net 2347m in capital and accrued interest from National Savings last month, writes Richard

rates. Mr McCarthy of Bow-

The greatest withdrawals were again from fixed income savings certificates, with a net 2375m taken out. On the other hand, investors put money into income and capital bonds, which together attracted £77m during

The repayments of the past

year have reduced the amount held in National Savings from 237bn to 235.3bn, even after adding reinvested accrued

The pattern of investment in National Savings has changed markedly. A year ago money invested in its fixed interest certificates accounted for 31 per cent of the total. Income bonds contributed 21 per cent. At the end of February each product represented about 25 per cent of the total.

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Labour takes strong lead in by-election forecasts

By Raiph Atkins

IN MARCH 18"

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FRAYED nerves among Conservative MPs will be further tested this week by what is forecast to be a decisive win therest rates before the next to be a decisive win the state of the process to be a decisive win the state of the process to be a state o by the Labour Party in the mid-Staffordshire by-election

on Thursday.

Opinion polls in Sunday papers gave Labour an overwhelming lead in the constituency where the Conservatives had a majority of 14,654 at the last election. The by-election follows the deeth of Mr. Mr. follows the death of Mr John

A Sunday Times opinion poll put Labour's lead in Mid-Staffordshire at 26 percentage points. A survey in the Independent on Sunday gave the opposition a lead of 28 percentage points. age points. A swing of this amount would give the Labour candidate, Mrs Sylvia Heal, a substantial majority. Tomorrow's Budget does not offer the prospect of any quick relief from the Government's present unpopularity. Anxious Tories will be looking instead for Mr

general election.

Mrs Margaret Thatcher, in an interview with the Sunday Express, appeared determined to maintain morals. She arged devictors are constituted. doubters among Conservative MPs to "keep your nerve" and promised that she would fight "every inch of the way" to stay in power at the next election.

There is concern among party managers about a possi-

party managers about a possible renewed leadership challenge to Mrs Thatcher in the autumn. Senior Tories were yesterday playing down speculation that the decision by the backbeach 1922 Committee to review the election process suggested that such a challenge was likely.

The Prime Minister told the Sunday Express she did not

believe there were many in her party seeking to replace her as leader, saying: "You get ups

an embarrassing election threat such as that mounted by Sir Anthony Meyer last year. At present a challenge can be made with only a proposer and

. Sir Marcus Fox, vice-chairmen of the 1922 Committee, said: "In the country at large there was amazement that a

there was amazement that a challenge could be based on such filmsy support." But he said changes were being made in consultation with the party and did not assume a challenger was in the offing.

Mr George Younger, the Prime Minister's campaign manager, said: "We have only just got finished with the challenge of last autumn and most people after that thought that was a pointless exercise."

Budget focuses on inflation

Chancellor, will present a Bud-get tomorrow intended to reverse the upward trend of inflation so that interest rates can fall substantially next

With inflation still rising and the last possible date for the next general election little more than two years away, Mr Major's first Budget presentation will be one of the most difficult for a Chancellor in modern times

modern times.

His Budget must be austare enough to satisfy the City of London to prevent a damaging loss of confidence in sterling.

At the same time, the Chancel-At the same time, the Chancel-lor must try to raise the morale of Conservative MPs and hold out some hope that the Government can win back the confidence of the electronic in its handling of the economy. Adding to the pressures on Mr Major is the Mid-Stafford-shire hy-election on Thursday.

Mr Major is the Mid-Stafford-aidre by-election on Thursday, in which a previously safe Con-servative seat is expected to be lost to the Labour party.

Mr Major was putting the finishing touches to his speech yesterday. The fact that this year's Budget will be the first to be televised means that the presentation of the Govern-ment's plans will assume a more important role than in more important role than in the past. Although the Chanity to solving the problems of the economy, his Budget is expected to produce some vote-catching sweeteners.

Mr Major can be expected to underline the importance of the separation of taxation of husband and wife that will take effect from next month. He may respond to powerful lobbying and announce some tax changes to help working mothers obtain child care facilities.

to bulk large in his speech although there is little that the Chancellor can do to afternard the environment without interthe environment without inter-national co-operation. However it has been suggested that he might increase taxation of company cars and petrol to raise revenus, pleasing the Green lobby in the precess. The City expects a low-key Budget, according to a survey of City economists published over the weekend by IDEA, the financial information com-pany.

financial information com-pany.

The survey found that ana-lysts on balance expect Mr Major will announce no not change in the overall tax bur-den. The individual forecasts of the librity facal stance difficul-little, ranging from net tax cuts of film to tax increases of 22bn - small amounts in an aronous with a gross domestic

economy with a gross domestic

the Chancellor would decide against fully indexing the tax-froe income tax allowances against inflation. This move would bring in extra revenue but at the cost of increasing the number of precede register. the number of people paying income tax. It also would hit the low-paid taxpayer more than the well off.

By contrast, the Chancellor was expected to index excise duties on items such as these or items such as

tobacco, alcohol and petrol, although such a move could add 0.5 percentage points to the retail prices index. In line with other commentators, the City analysts expected income

City analysis expected income tax rates to stay unchanged at 25 per cent and 40 per cent.
Such a Budget would have little impact on financial markets. According to the IDEA survey, the median expectations was that sterling night gain a prennig against the D-Mark in the 48 hours following the Budget wills prices for long-dated gilt-edged stocks could gain 0.5 points and the FT-SE index of leading British equities, which closed at 2.263.9 on Friday, might rise 20 points. Yesterday, Mr John Banham, director general of the Confederation of British Industry, said that the priceity must be to bring inflation under control, even if it meant raising taxes.

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UK NEWS

Warning over hopes for Social **Charter**

By John Gapper, Labour Editor

BRITISH unions may be placing too much hope in the expectation that the European Commission's Social Charter of workers' rights will make up for what they see as inadequa-cies in British employment

law, according to a union-backed study group.

A study of the charter, pub-lished by the Institute of Employment Rights, a labour-law think-tank, says it will give British unions no beb in give British unions no help in pressing recognition claims or subscribe workers' collective

The study, written by Lord Wedderburn, a Labour peer and professor of law at the London School of Economics, follows a change of mood in British unions in favour of the European Community, largely because of the Social Charter. However, it argues that the

However, it argues that the action programme, which details how parts of the charter will be implemented, shows that workers' collective rights are to be left to member coun-

Lord Wedderburn says that the hope expressed by Mr Jaques Delors, the BC President, that every worker should have the right to be covered by a collective agreement is a long way from being guaranteed by

the charter.

Lord Wedderburn argues that the charter is a "remarkable signpost of social progress" on subjects such as equal trustment for both sees at work, and vocational training. The Social Charter, European company and employment rights: an outline agenda; Institute of Employment Rights, 98 St Pancras Way, London NW1 2005, 54

NatWest Bank pays ex-directors £505,000

By Richard Waters

NATIONAL Westminster Bank has paid £505,000 to its three executive directors who resigned last summer after being criticised over their

being criticised over their involvement in the controversal Blue Arrow rights issue.

The payments will be revealed in the bank's annual report, published today, which also shows that the board's total pay, including pension contributions, increased by 70 per cent last year to £4.1m.

The bank's pre-tax profits fell by 71 per cent in that period, due to provisions against loans made to develop-

ing countries.
The three directors who resigned were Mr Charles Green and Mr Terry Green, the two deputy chief executives, and Mr John Plaistow. They had been reprimanded by Department of Trade and Industry inspectors about their involvement in the bank's disguising from the market of the failure of the Blue Arrow rights issue in 1987.

The affair has resulted in County NatWest, the bank's investment subsidiary, facing criminal charges.
NatWest refused yesterday

Neither would it explain why it had decided to pay the com-pensation for loss of office, in view of the public criticisms made of the men and the damage done to the group by the Blue Arrow affair. The affair has already cost it £50m, not including the damage to its goodwill and any possible consequences of the criminal pro-

The annual report also had given during his years as shows a sharp increase last chairman, although it refused year in the remuneration of to say how much.

to disclose how much was paid Lord Boardman, who stepped to each of the three executive down as chairman over the down as chairman over the Blue Arrow affair, although he had been due to retire anyway to make way for his successor,

Lord Alexander. His remuneration rose at an annualised rate of 73 per cent in the nine months to the end of September, from £178,320 in the whole of the previous year to £231,725 in the nine months. The bank said part of his

remuneration was a payment in recognition of the service he

Shop violence to be taken up in new forum work practices slows

People working in wholesale or retail businesses are vulnerable to violence, threats and theft, Mr Patrick Nicholls, Employment Minister, told retailers meeting recently to discuss the issue of violence to

star.
"Employees can suffer great fear, anxiety and stress from violent incidents. Violence and abuse affect the whole organisation and not just the staff assaulted. Frightened staff don't work as well and it costs money because of absenteelsm, higher insurance premiums, compensation payments and cover for staff assaulted," he said.

There are few figures on viclence to shopworkers, although the 1988 British Crime Survey found that workers in general blamed their jobs for a quarter of violent attacks and over a third of all threats. In addition, 14 per cent of workers said

THE PROBLEM of violence to they had been verbally abused shopworkers will be high on the agenda of a new Health and Safety Executive retail forum to be set up soon.

People working in wholesals are the shopworkers' union USDAW, said the union had recently completed the shopworkers. a small-scale survey which would show that verbal abuse and sexual harassment were regularly suffered by shop staff, as well as physical injury when, for example, shoplifters

Employers were still seeing violence to staff as a security rather than a health and safety issue. It was important to gather the type of statistics that were available for trans-port, health and other parts of the public sector, said Mr Rus-

Mr John Burrows, group security adviser for Dixons, the UK electronics retailer, said he suspected that some branches were not reporting incidents because they were so common-place, particularly in inner city areas. A study of how victims of violence were treated by the company was to be conducted, he added.

Pace of change in

By Michael Smith, Labour Correspondent

slower progress in changing working practices than it was in the mid-1980s, according to a study published by Incomes Data Services, the pay research

Although work "flexibility" was the buzzword of the 1960s, the major demarcations between different groups of craftsmen and between craft and production workers remain.

More pressing issues, such as inflation and skill shortages,

have diverted managers from longer term needs, says the

longer term needs, says the report.
At the same time, union resistance to some management demands has also increased, as reflected in strikes this year at Ford Motor Company, British Aerospace and Birds Eye Wall's.
In spite of this, IDS sees signs of further progress being made.

Companies have a more real-istic view of their objectives and are clearer about what can be achieved. They have recog-

BRITISH industry is making pised the importance of alower progress in changing respecting "craft attitudes" working practices than it was and are adapting working arrangements to deepen skills. They are prepared to spend more on training-perhaps two to 3 per cent of payroli-than they were in the mid-1980s.

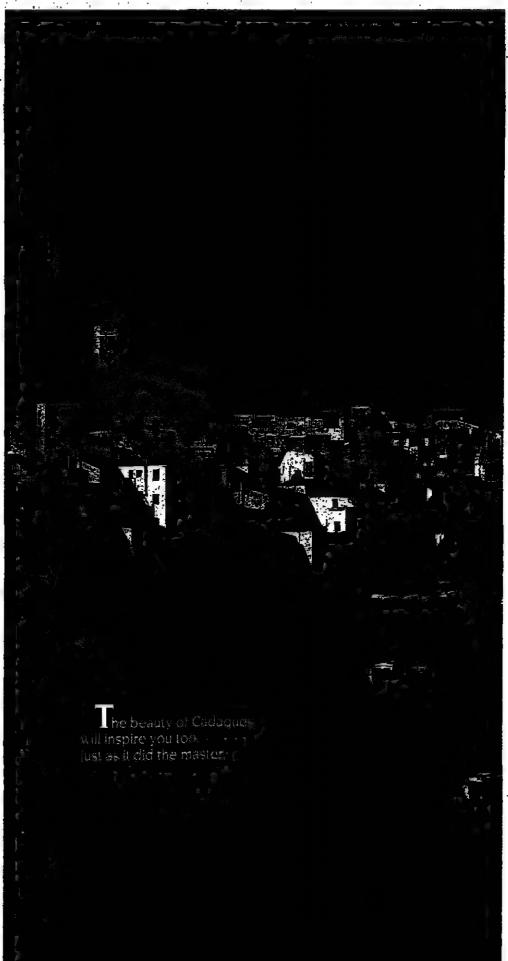
Employers also take more effort preparing the way for change, so that new working practices, once adopted, are achieving quicker returns.

Problem areas include the status of supervision, which the report says is in flux.

The role of the front line manager often needs to change more than any other single job but companies find it difficult to get employees to adapt. High quality supervisors are hard to find.

"Full flexibility" remains almost entirely confined to greenfield sites where compa-nies are choosy about whom

they recruit.
IDS Study 454, Flexibility at
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UK mechanical engineering

How Weir blew fresh air into Hopkinsons

Nick Garnett assesses a rejuvenating takeover of the valve maker

n the summer of last year, a small tragedy in Britain's mechanical engineering industry was avoided by the narrowest

Hopkinsons, the UK's biggest manufacturer of specialist valves, was about to go down the plug-hole after 145 years as a flag-bearer of British engi-

Wracked by union disputes and apparently trapped in a culture that was taking Hopkinsons nowhere but down, the company's holding group had issued a 90-day notice of clo-sure on the sprawling 19 acre site on the edge of Hudders-field, West Yorkshire.

Other engineering compa-nies wondered how a profitable business making valves for industry and power generation, with some of the world's best valve technology and which had seemed reasonably healthy a few years earlier, could now find itself in the soup.

After making a double digit return on annual sales of more

than £20m through the 1980s, it had slid into loss in 1988. Relations between management and unions had deteriorated to such a low ebb that by the middle of last year the design staff in the drawing office had been on strike for more than two months and a six-month overtime ban had been in place

on the shopfloor.

The disputes were both about pay and the dismissal of two crane drivers. Such strikes were not new at Hopkinsons which makes a range of valves priced from £30 to £150,000 and no to 11 tonnes in weight. A
16-week strike over pensions
had shut the plant in 1980 and
the odd skirmish and lock-out
had peppered the intervening

Into this unpromising setting, Weir, the Glasgow pump and ancillary equipment maker, stepped and acquired the company from the parent, Hopkinsons Holdings, for

Weir shared many of the same customers as Hopkin-sons, has worked with the Yorkshire company on a num-ber of industrial projects and believed there was a lot worth

Soon after Weir purchased Hopkinsons in June, 100 jobs were shed from the workforce of 900, the dismissal of the site convenor - with a pay-off of £31,000 - was confirmed and a 10 per cent pay increase

imposed.

The strike ended and the bonus scheme — which had become increasingly abused over many years — was frozen pending a complete revamp. New managers in key functions such as personnel and production were brought in from other parts of Weir and a start made on redesigning the shopfloor to improve work flow. Hopkinsons is now back in the black and is looking to make a pre-tax profit of £3m during 1990 on turnover up by

It has not been a dramatic story over the past nine months. But what has happened at Hopkinsons indicates some of the things a company can do when it moves into a business where manage-ment/employee relations have become arthritic and growth prospects stifled. "There was something badly

a fifth at £20m.

wrong with the company," says Bill McLean, the man Weir brought in from within its own management to be Hopkinsons' managing director

and chairman.

Hopkinsons is steeped in old-fashioned tradition. The stern stone-faced walls of the front of the factory house a reception area in dreary green and brown right out of the 1920s. A separate lodge house with oak panelling and snooker room was used by managers for eating and enter-

Weir's headquarters in the Cathcart district of Glasgow is not unlike this. But unlike Hopkinsons, the Scottish com-pany has a reputation for hard-headed management of its assets as well as a developer of businesses. In the past two years Weir has successfully taken over the Mather & Platt pump-making company, and Neyrlor, a French drilling service company.

The company's toughness is exemplified by McLean, a for-mer car industry shop steward and personnel director at Ley-land Cars before joining Weir in 1980. Then the group, having lost £8m the previous year, was on its knees and McLean was instrumental in starting a brutal but probably necessary exercise in reducing by a third the then Weir workforce of

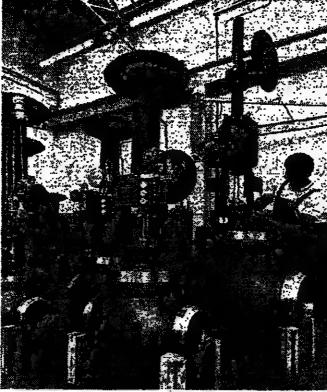
was not as severe. "We knew the company had excellent engineering and products,"
says McLean. "The first priority was to bring our own people in, to cut costs and then to improve delivery times and get back into profitability. Hopkin-sons had been turning away work during the 90 day period. We got to the company just in time because customers were etting annoyed and credibility

had gone down fast.
"There was a lot of relief among customers when we took over but that evapora soon and they simply wanted the stuff they had ordered as fast as they could get it. The quality of the product is what saved the company, quite frankly. People had been pre-pared to wait for a Hopkinsons

McLean testifies to attempts by previous managers at Hop-kinsons to change the company. It went through several managing directors through the 1980s. Some modern pro-duction equipment was intro-

But the previous manage-ment, notorious for being uncommunicative with "out-siders" like the Press, found it impossible to break a culture it had been instrumental in fortering. A new parent could do what the old parent - which, as Hopkinsons Holdings, remains a completely separate quoted engineering company — could not do.

One of the first things that happened in the "Weirisation" of Hopkinsons was to scrap the so-called Green Book on union management negotiating pro-cedures. "That was a set of rules to stop you managing," McLean says. Then Hopkin-



Hookinsons found itself under severe pre having some of the world's best valve technology

sons' union/management nego-tiating structure, in which foremen with disciplinary duties negotiated working pratices in the same group as the people they were supervising, was broken up.

The bonus system was fro-sen and is due to be revamped on traditional principles of on traditional principles of measured day working. "The old system was just fraud," says Jim Livingstone, the production director brought in from another part of Weir. When output slipped by up to 30 per cent during late 1988 and early 1989, bonus payments remained unaffected. "It had become barstardised," concedes Colin Somers, the new cedes Colin Somers, the new

Along with reviewing all manufacturing practices, Weir is reorganising production. Hopkinsons has a typical old-fashioned set of mechanical engineering factories, the type many West German and Swiss companies have never had since the 1940s. Weir appears to have no plans to rebuild these but has embarked on a more modest reorganisation, linked to the introduction of zim of new production machin-

Livingstone says the computer control system used by Hopkinsons resulted in double ordering of components without knowing it. Weir acknowledges, though, that it has a lot to learn about valve making. Livingstone has been looking to find a valve company with modern manufacturing tech-niques and with production systems from which he can

The workforce seems pleased that Weir has taken over but that wer has taken over but there is still a lot of caution and some suspicion. "Some things have improved a lot but Weir has a reputation for being tough," says Somers. McLean acknowledges that it

would do Hopkinsons a lot of good to see a full-blown power station building programme in the UK. The company is supplying valves for the Sizewell B nuclear station but the lack of new power station orders has barmed the Huddersfield com-

pany.

That might be one reason why Weir is looking to introduce a new range of valves for the oil industry, a sector in which Hopkinsons has virtually no presence. ally no presence. Hopkinsons has some tough

Hopkinsons has some tough competitors like Semple in West Germany, Vian in Canada and Dresser's Dewrence division in the UR. But McLean is optimistic about Hopkinsons' future. "We are quite confident we can grow this business," he says.

Opening up eastern Europe

Teaching potential capitalists

David Goodhart on Deutschebank at the Leipzig Fair

German economic miracle? Optimists can certainly take heart from the scenes of pandemonium at the Deutschebank (DB) stand at last week's Leipzig Fair, East Germany's largest trade

East Germany's future entrepreneurs were elbowing each other out of the way for a chance to grab a few words with one of the Frankfurt bankers. They were not being offered loans, as lending by for-eign banks is still illegal eigh banks is still illegal (although most big West German banks are already established and poised to pour in capital the moment they can). But they were being offered plenty of advice on how to become capitalists.

Leading the DB's East German initiative is DGM, its consulting subsidiary for small-and medium-sized business. It is by no means the only West German consultancy acting in the other Germany - Kienbaum, Trebag and several smaller firms are also there – but DGM probably has the big-

gest presence.
According to Peter von Windau, boss of DGM, he now has

in East Germany valued together at about DM2m, with a further 100 possibles. They range from advising the giant Kombinate corporations on how to break themselves up, to basic seminars on the mechanics of markets, corporate organisation, accounting and marketing for small business.

In Leipzig, such seminars, which attracted hundreds of people, were free. The proper contracts will be paid for and at roughly the full market price, says von Windau. DGM is thus taking a more hardnosed attitude than its parent bank, which seems ready to lose millions of deutschemarks in the interests of helping the East German economy and ensuring itself a commanding share of future business.

Von Windau is characteristically optimistic about the chances for East German business, but he does accept there is enormous ignorance about business basics to overcome. For Western consultants, he says, there are two special problems: first, it is more difficult to read the signs, to tell whether a potential client is worth pursuing or not; second, even West Germans find East Germany like a foreign coun-

try in which to operate.
But, as a West German consultant, he does have the advantage of being able to bring together potential German partners. For example, Klaus Schlerz, boss of the small glass fibre firm, Asglawo, and a founder-member of the East German Employers' Federation, has just won his independence from the Flachglas Kombinat and has already begun doing business with two of DGM's West German cus-

Von Windau also sees it as part of his role to advise East German companies against some of the offers that are being showered on them from West Germany. "There are quite a few West Germans that are offering very unfavourable deals which, if accepted, could stifie enterprise, not encourage it," he says. He advises East German companies to under-stand themselves first, then

improve their operations, and only then do deals.

He urges West German busi-ness to be as sensitive as possible with potential East German partners. "It is no good turning getting cold feet," he says.

Danish designs on the Soviet Union

Other consultants are moving in, too. One of the first Western man-agement consultancies to penether consultants are agement consultancies to pene-trate the Soviet Union was TMI, a Danish company now operating in 36 countries. TMI became involved in training Soviet managers at the begin-ning of perestroika, running courses in 1985 for Foreign Trade Ministry officials. TMI's psychology-based pro-

TMI's psychology-based programme of "putting people first", which aims to improve the way people relate to each other, has been used to train many employees, including those of British Afrways, but Soviets, used to state cushion-

Soviets, used to state cushioning, presented a new challenge.

However, they were conscious of their need and Goran Kindwall, a director of TMI, says: "We found they were motivated by much less then their Western counterparts."

Initially, TMI ran the courses free or highly subsidised; Soviets used to paying for goods "Champions" are created to

rather than ideas were reluc-tant to part with precious hard currency to buy philosophy. But when the law was But when the law was changed, and companies were able to work more freely, managers found they did not know how to use their new-found autonomy. Numbers attending TMI seminars jumped from 380 in 1987 to 5,860 last year. TMT's Soviet representative

Gennadi Ozerov explains:
"Managers did not know how
to inspire people to work.
There had never been any
incentive for people to do their best, in improving quality or developing new products. Targets were unrealistic and figures were often made up. It was like a huge machine working with no foresseable results. They did not know how to set achievable goals or how to define the tasks needed to reach them."

several layers of management.

return to the company and "spread the word," showing the best way to motivate peo-ple and define tasks needed to meet targets. Busine not the only participants. Politicians are also discovering the need to motivate. The Council of Economic Reform has attended seminars and expressed interest in more

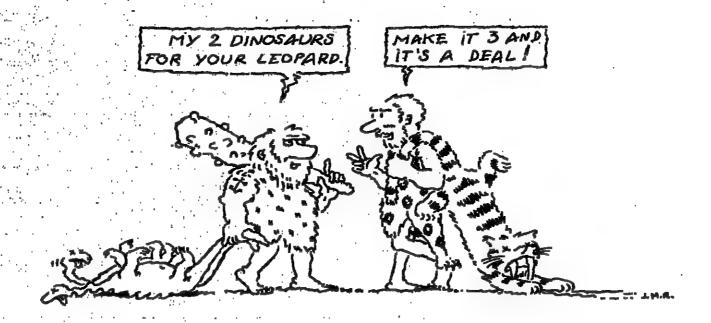
A problem TMI encountered was the top-heavy management structure. According to Ozerov an average automobile plant employing 5,000 people would have 100 top level man-agers and 500 middle management. The need to be competi-tive is forcing them to see the necessity of cutting back. "Once our companies become self-accounting they realise they must be more effective or go bankrupt. For the first time they are having to fight for their position."

Christina Lamb

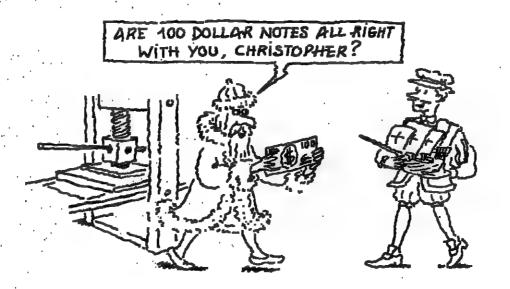
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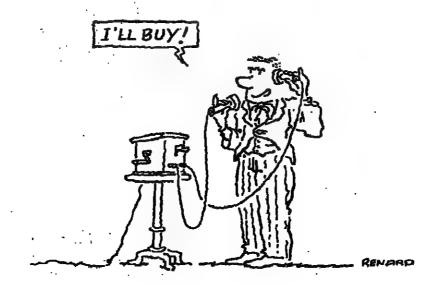
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1876. The telephone was invented.

April 2-16



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Alleviating traffic congestion

FAIRCLOUGH CIVIL ENGINEERING has secured the £18.75m contract for the A523 Macciesfield relief road.
The scheme entails the construction of about 5.2km of new single and dual carriageway with four roundabout intersections and three signal to the north and east of the town centre.

The project also includes the construction of two viaducts, a bridge over the Manchester-Crewe rail line, and 1,000 metres of retaining wall within a very restricted urban area. The structural work involves considerable bored piling works, including secant piling to retaining walls, which will be carried out by Fairclough Piling and Marine. Some 250,000 cu metres of material will be excavated and 150,000 cu metres of earthworks fill imported during the two-year

Cardiff hotel

TERN CONSTRUCTION GROUP has been awarded con-tracts in Wales, the South and South West totalling £16.3m. Work has started on a £10m design and build contract for a 135-bedroom four-star Cop-thorne hotel at Culverhouse Cross, Cardiff.

Awards in the South East include a \$1.75m BMW service and parts complex in Cobham, Surrey, for William Jacks; a £1.4m Texas superstore at Strood in Kent for Mercury Property Fund and a £600,000 business units centre at St Paul's Cray for Asset Corpora-

British Aerospace has appointed the company as main contractor for a 2550,000 wind tunnel extension at Fil-ton in Bristol.

CONSTRUCTION CONTRACTS

M4 motorway project

COSTAIN CIVIL ENGINEERING, a subsidiary CIVIL of Costain Group, has been awarded a £3km contract by the Welsh Office to build the Earlswood to Lon Las section of the London-South Wales M4

motorway. The 4.3km of flexible-pavement motorway will consist of dual two-lane motorway, with 0.5km of dual three-lane motorway. Extensive traffic management schemes will be necessary during construction as the major part of the motorway, about 3km, and 0.5km of slip road, is to be built on the heavily-used A48(T) road. The contract calls for the construction of four bridges

and the reconstruction of times existing bridges, the largest being a 201 metre, eight span, motorway viaduct over the stream, Red Jacket Pill Bullt with a slab construction deck it will be supported by circular columns on piled foundations. A 145 metre single-span con-crete portal underbridge will carry the motorway over the main London-Swansea railway

The other bridges include the 52 metre span Red Jacket Pill slip road bridge and a 27 metre span cycle track and footway bridge to cross the railway line at Llandarcy. The Tennant Canal viaduct crossing the two railway lines

and the canal is to be redecked and widened. Demolition and reconstruction work is also necessary on the 35 metre snar necessary on the so merce span overbridge at Crymlyn Road, west of Llandarcy, and to a three-span steel girder bridge over a further railway at Llandarcy.

Earthworks include exten-

sive rock cutting up to 38 metres deep, and involves about 845,000 cu metres of excavation and the placing of about 622,000 cu metres of fill.

The motorway is scheduled The motorway is scheduled for completion in March 1998 Engineers for the project are Sir Owen Williams & Partners, under the direction of the Welsh Office.

Alfred McAlpine to manage £38m town centre development

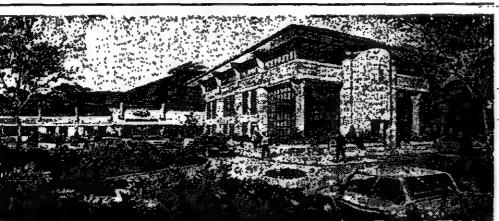
ALFRED MCALPINE MANAGEMENT has been appointed as construction manager by The Standard Life Assurance Company to complete its £38m town centre retail development scheme at Boscombe in Bournemouth, Dorset. The development, which is about 50 per cent complete, bad hitherto been prog-ressed under a JCT 80 type contract with J M Jones Construction, a company which recently passed into adminis-trative receivership.

The retail scheme provides a 55,000 sq ft superstore for Saleway, an extension to the Boots and Co-operative retail stores, 30 shop units and a 625 space multi-storey car park, and has a glazed airium feature.

Affred McAlpine Management has already mobilised to undertake remedial work on the temporary support struc-tures which have suffered recent storm damage, and has made a total safety appraisal of the site. One of the first priori-

those parts of the site which are not so already. The four-level, multi-storey car park has been completed and about 75 per cent of the centre's superstructure is in place. The brickwork is about half complete and there has been a limited start on the

building services. The client's development managers are Barwick Property Consultants; the project architecta are Leslie Jones and the quantity surveyors are F.C. Denley King & Partners



An £11.5m contract to build Esher's new civic offices (pictured above) has been awarded to WIMPEY CONSTRUCTION UK's southern region by Eimbridge Borough Council. The development, comprising a total of 89,000 sq ft, includes extensive office accommodation, a 30-seat council chamber and basement car parking for 180 vehicles. Other features include an external scenic lift and a bowling green. Work on the project is scheduled for completion in December 1981.

LEGAL COLUMN

US Supreme Court may curb lawyers' freedom to advertise

A YEAR AGO if you were charged with a felony in Hous-ton, Texas, the chances were that you would get a letter in the post from a local lawyer offering to represent you. In Ohio the lawyer might come in

US lawyers have had the right to solicit clients by mail for two years and to advertise for over a decade. But local regulators and some lawyers' groups are now stepping up their efforts to restrict the flood of advertising, arguing that self-proclaimed expertise could mislead consumers.

On the other side of this tug of war are lawyers who claim that advertising, solicitation and descriptions of services or expertise are an important part under the First Amendment. Backing them up are consumer advocacy groups which argue that properly regulated adver-tisements benefit the person in the street.

In the next few months the US Supreme Court will rule on the right of Mr Gary Peel, an Illinois lawyer, to use the statement "certified trial specialist by the National Board of Trial Advocacy" on his letterhead. Mr Peel was prohibited from

using such a statement by the state of Illinois disciplinary commission whose rules pro-hibit lawyers from calling themselves specialists or holding themselves out to be certi-

At hearings last month, the commission argued that the statement was commercial speech and therefore subject to regulation. They noted that in Minois the state supreme court ad the authority to set qualifications and therefore people would be led to believe that his certification was sanctioned by the court.

Mr Peel's lawyer, Mr Bruce Ennis, a partner in Jenner & Block, claimed that the letterhead was not commercial speech because it was only used in correspondence to existing clients. Even if the let-terhead was considered commercial speech, he argued, the ban was beyond the scope of permitted regulation.

Mr Ennis also pointed out that the National Board's certifirst the National Board's certification was quite rigorous, requiring the lawyer to have spent at least 30 per cent of his or her chargeable hours in the five years prior to certification working in trial advocacy, been lead counsel in at least 15

The arguments presented will not sound unfamiliar to **English solicitors**

completed civil trials and 40 others, appear at a day-long examination and get six recom-mendations of which at least three must be from judges. The Board, which is a private organisation, has certified over a thousand practitioners in every US state since its creation in 1977.

"It does provide meaningful association that's not at all association in also expressly approved of in states like Ala-bama, Connecticut, Georgia and Minnesota," said Mr

Mr Ennis was backed by the Federal Trade Commission, a government agency which investigates violations of free competition, and the Public Citizent Little Competition. Citizen Litigation Group, a
Washington DC consumer
rights lobbyist.
The arguments will not
sound unfamiliar to English

solicitors who have recently been asked for their comments on the Law Society's proposals to remove the remaining barri-

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ers to solicitor advertising and in particular whether solicitors should be allowed simply to claim specialisations where justified or whether claims to special expertise should be allowed only from solicitors who are members of Law Soci-

ety specialist panels. The society's new rules propose to allow advertisements to criticise other soliditors' services, refer to success rates, name clients and claim to be experts on the basis of experi-

The precedents for the US Supreme Court decision, which could be issued any time between May and July, appear to favour Mr Peel. In 1977 the Supreme Court ruled in favour of an Arizona lawyer who published the prices he charged for services such as divorce.

In 1982 the court ruled in favour of a Mississippi attor-ney whose advertisements named his areas of expertise and the jurisdiction of his practice while in 1988 it allowed a Kentucky lawyer to mail solici-tations to people whose proper-ties were being foreclosed. The only case where the court has once against allowed.

court has gone against allowing lawyers to advertise was in Ohio, where it prohibited lawyers from making in person solicitations on the basis that while an advertisement or let-ter can be produced in evi-dence against any false claims of expertise the spoken word

may not be so recorded. But all these cases went to court as a result of state bans and the bans have certainly not stopped coming. Last year the city of Houston barred attorneys from buying a list of criminal defendants from the city clerk and then sending them letters offering discount

Local attorneys claim that this violates the state Open Records Act, but the state says that the judiciary is exempt. The matter is now in a county

Mr David McCormack, a Houston attorney, says most of his practice was built up through mail solicitation. "So long as we tell the truth we should have every right to look for clients and solicit them," he

The state of Iowa has virtually harred all television advertising. Eight months ago, it forced lawyers to include a dis-claimer on all advertisements stating that choosing a lawyer or legal services "are extremely important decisions and should not be based solely upon advertisements or self-proclaimed advertise-

desired by the lows State Bar Association, which expects to be informed of how the solici-tor determined that the target client needed a lawyer. Most recently, local lawyers have been taking up the cudgel in such states as Alabama, Ari-sona and Indiana where a

Advertisement growth rate in the first six months of 1989 was three times the average

group of 100 lawyers has spon-sored bilihoard, radio and tele-vision advertisements which tirge consumers not to select lawyers based simply on an

Mr Burton Kinerk, a lawyer active in the campaign, said:
"We're trying to tell people
that the lawyer they're looking
for isn't on television."
But the evidence is that law-

yers are advertising at rapidly growing rates. The Television Bureau of Advertising estimated that lawyers spent 22 per cent more — at \$38.8m — in the first ex months of 1990

than they did over the same period a year ago.

Although that placed them 20th among 25 industries, their advertisement growth rate was three times the average.

And in California last year a competition for the best adverment drew more than a 100 entries that ranged from T

shirts to board games. When you buy a packet of cigarettes in the US, you get a free folder of matches that has either an advertisement for telephone sex or a lawyer offering to represent accident vicages (you even get a freephone number to dial and there is no fee if you lose).

There seems little chance that those advertisements will change but perhaps states will be able to ensure that lawyers The outhor is a freelance Month Desert in New York. are less gung ho.

Home Affairs: subject, Crown Prosecution Service.

University. (Room 8, 11 a.m.)

ciation: (Room 18, 4.25 p.m.)

Employment: subject, tour-ism. Witness: British Hotels,

Bestaurants and Caterers Asso-

Social Services: subject, The "conscience clause" of the Abortion Act, 1967. Witnesses: Mr John, McGarry, Mr David Paintin, Mrs Wendy Savage, Dr Naomi Bankole, Mr Jonathan Brooks, Mr John Kelly, and Dr Adrian Rooms. (Room & 425) (Emergency and Prevention of Terrorism Provisions) Continu-Commons: Budget statement.
Opposed private business

from 7 p.m. Lords: Human Fertilisation and Embryology Bill, third King's Cross Railways Bill. (Grand Committee Room, ster Hall, 10.30 a.m.)

reeding.
Law Reform (Miscellaneous Provisions) (Scotland) Bill, committee. Select committee: Procedure subject, working of the select committee system. Witness: Mr John Bourn, Comptroller and Auditor General: (Room 16, Budget debate. Lords: Gaming (Amendment)

Commons: Continuation of the Budget richate. Lords: Debate on "Political and

PARLIAMENTARY

Communic War Crimes Bill,

Motion on the Rate Support Grant (Scotland) Order. Lands: Greenwich Hospital Bill,

third reading.

Bducation (Student Louis)

Motion on Northern Ireland

second reading:

Bill committee

ence Order.

economic developments in Eastern Europe and the Soviet Heathrow Express Rallway

Selecthrow Express Ballway
Fill, third reading.
Select committees: Environment subject, beach pollution.
Witnesse: officials from the
Department of the Environment and Department of Agriculture, Fisheries and Food.
(Room 15, 10.30 a.m.)

Agriculture: subject fish Agriculture: subject, fish farming. Witnesses: Scottish Office ministers. (Room, 6, 10.45

a.m.)
Defence: subject, Trident
programme. Witnesses: MoD
officials. (Room 18, 10.50 a.m.)
Energy: subject, cost of
nuclear power. Witnesses: UES
Phillips and Drew and Mr Gordom MacKerron of the Science
Policy Research Unit, Sussex

FINANCIAL"

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BCAPD MEETINGSPhoto:

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Witness: Sir Patrick Mayhew, Attorney General. (Room 15, 4.15 p.m.)

Adrian Rogers. (Room 6, 4.25 Committee on a private bill:

Commons: continuation of

Bill, report.
Pensions (Miscellaneous Provisions) Bill, report.
Landlord and Tenant (Licensed Premises Bill), sec-Debate on the select commit-

the report on overseas aid.
Chlorofluorocarbons Control
Bill, third reading.
Question to Government on alp for South Africa. Committee on a private bill: King's Cross Railways Bill. (Grand Committee Room, Westminster Hall, 10.36 a.m.)

Priday Commons: Private members Lords: European Parliament Electoral Reform Bill, second

reading.

Motion asking that the Firearms (Variation of Fees) Order be annulled.

Motion for approval on the Town and Country Planning (Compensation for Restrictions of Mineral Workings) (Amendment) Regulations.

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NEPCON Europe 90 (01-948 NEC, Birmingham March 28-28 London International Book Fair (01-945 9600)

March 17-29 CADCAM International Show (01-404 4844) NEC, Riveringham March 29-April 1 International Contemporary

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March 23-26 International Franchise Exhibition (01-727 1929) **Paris** March 29-81

Production and Test Equip-ment for Electronics Manufacturing EXhibition - INTER-NEPCONKOREA (01-840 3777) March 31-April 5

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EEC Society: Euroconference 1990 "Europe 2002 - a common market between the East and West?" (01-368 1299) Westminster Central Hall March 23

March 38-47

2323) Royal Gerden Hotel, London March 28-27 Pinancial Conferences: The

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telephone the organisers to ensure that there have been no changes to the details published

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The Molson

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For the three mo period from 20th March 1990 to 20th June 1990 the rate f interest on the notes will be 5% a per anoun. The interest psychic on the relevant interest psyment date will be U.S. \$10,781.25 per U.S. \$500,000

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AUTOMATIC IDENTIFICATION

23rd May 1990

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Number One

Southwark Bridge

FINANCIAL TIMES

International Festival of Science & Technology (031-228

Rdinburgh International Conveyors & Conveyor Components Exhibi-tion - CONVEYOREX (0895

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Harrogate April 3-5 Fashion Fabrex - FABREX Olympia

April 3-7 International Construction Equipment Exhibition - ICE (01-637 2400) Wembley Conference Centre

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Studies: Waste management, Recycling and Eco-Packaging Policy Issues (Brussels (322)

Martin Harvell and Associates:

- Aviation symposium '90 -

Greater Europe (01-949 0036) Olympia 2 Conference Cen-

April 4-6 Financial Times Conferences:

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tion, Electrical, Electronic, Computer Systems Technology Exhibition and Conference

Bangkok

Business and management conferences

University Consultants (Japan): Coming to terms with

March 20
The Henley Centre: Annual review of social developments and forecasts (01-353 9951)
Cavendish Conference Centre

Club de Bruxalles: Esst-West: Practical steps towards a new partnership (Brussels (02) 771 98 90)

Pinancial Times Conferences: World Pharmaconticuls (01-925

European water industry (01-925 2328) Hotel Inter-Continental, London

April 6
CNI Conferences: The lawyer and you - in-house or external lagal services? (01-379 7400)
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Power of Berlioz heralds new Paris opera house

these. Paris's new opera house, the Bastille, has at last shown its first fully mounted shown its first fully mounted opera, and that opera is Les Troyens (sponsored by Time Warner). At the opening its two parts were given, as they should be, on a single evening (though during the forthcoming run the "Intégrales" will be reserved for Saturdays: on weekdays there will be alternations of Troy and Carthage). It is not often one can confidently talk of wrongs being dently talk of wrongs being righted, in the arts world or any other. Here was an occa-

erch 19 1%

This is the city in which Berlioz lived, for which he composed this noblest and most splendid of epic operas, over which he broke his heart. Les Troyens had never been given here in full before Saturday. A pedant might insist that even on Saturday it was not, since the two Carthage dance sulles were cut; but that would be petty hair-splitting.

of peculiar significance - an of peculiar significance — an act of reparation, one might almost call it — and when the history of the Bastille Opera's first years comes to be written, with all its episodes of mind-changing and blood-letting, this production will surely count as the strongest argument in the strongest argument in the strongest argument.

It was an evening in which the power of Berlioz's dra-matic imagination, the power of his score to seize and transform an audience, was vindi-cated. Not overwhelmingly, but sufficiently — and, in the circumstances, that is some-thing of a triumph in itself. (Les Troyens, after all, was only brought to the Bastille drawing heard last year effect drawing board last year, after Daniel Barenboim had gone and his plans for *Don Giovanni* had been shelved). It is too soon to be dogmatic

in one's conviction that the physical comfort of the Grande Salle, its spacious proportion-ing of stage and auditorium,

'narrow', unexpansive acous-tics real defects. (I shall return to the theatre itself in a second report from Paris.)

These were impressions, formed during a long but

formed during a long but never tiring evening; the strongest of them was that nothing really stood in Berlioz's way. The composer has, indeed, one all-important ally in the new Bastille administration: Myung-Whun Chung, whose appointment as musical director (and Barenbolm's replacement) was controverreplacement) was controver-sial, and who as an opera con-ductor may be considered, not unfairly, an unknown quan-

In latel, he is a born Berilosian, and he is already deep inside the music. Even though the configuration of pit rela-tive to stage seemed so often to apply an unwanted Bay-reuti-type covering to the tim-bres and dynamics, one came to marvel at the excellence of the orchestral playing, its

life-giving rightness of colour and style.

The stringent martial leanness of Troy and the iridescent Mediterranean glow of Car-thage were the two soundpoles on which the whole per-formance was securely structured. Chung knows, too, how to crack the Berlioz rhythmic whiplash, how to phrase and place both the melodic surges and the abundant, emotion en-riching details, how to encourage fine choral singing. No conductor can reasonably be expected to get everything in balance in a first *Trojons*, let alone in a brand-new theatre with a bounty of stage-man-agement gremlins to be disgement greating the course of a grande sories d'ouverture. After all possible criticisms had been made, there was still a great deal left over to praise. The success of the produc-The success of the produc-tion (by Pier Luigi Pizzi, in his own designs) and casting is far more obviously relative: since both were achieved at (so to

speak) the last minute, their efficacy is in itself a feat, but both are far from ideal. Pizzi's "architectural" stagings, based on carefully composed neo-classical stage pictures, are familiar all over the operatic world, and always a guarantee of workable spectacle. The style works more effectively with Troy; in the later episodes of Carthage one won-dered at times whether the stock of fresh ideas had simply run out. As a director of charactors Pizzi is seldom inspired; a sense of insight into their emotional lives was not a notable feature of this Berlioz

in vocal terms Grace Bum-In vocal terms Grace Bumbry and Shirley Verrett, two long-admired bêtes du théâtre, are here presented somewhat late in the day. The former's Cassandra comes across with greater technical control, if no very striking command of Clasaical declamation; the latter's Dido gets through on beauty and distinction of presence, though at times it is near thing.

George Gray (Aeneas), a third leading American, has a freely produced; somewhat chunky, slightly ungrateful type of heroic tenor, more Vickers (but without the nius) than Thill; in view of genius) than Thill; in view or this, his tender, sensitive response to the love music was remarkably impressive.
Among the French supporting cast there are lovely performances from Colotte Alliot

Lugaz (Ascanius) and Nadine Denize (Anna), and strong, well-formed ones from Phi-lippe Rouillon (Chorebus) and lippe Rouillon (Chorebus) and Jean-Philippe Courtis (Narbel). Will the new Paris opera house, and the new Parisian operatic seriousness shown with this Troyens, inspire a revival in the fortunes of the native school of singing? Francophiles, well-wishers and opera-lovers everywhere will be praying that it does,

Max Loppert

ARCHITECTURE

A 19th century warehouse wins in Belfast

of Ulster architec-ture? Of all the regions of the British Isles it is the one which, to outsiders, appears to suffer from such delicate political circumstances that its future is confounded. But on the ground, walking round the towns and villages of Northern Ireland as I have been doing for the last few days, the situa-tion is far from degreesing. An tion is far from depressing. An invitation to judge this year's architectural awards sponsored by the magazine, Ulster Archi-tect, provided an excellent opportunity to acquire a broad perspective of Northern Ireland's architectural present

This year's Ulster Architect Building of the Year Award fol-lowed a slightly different pattern from previous years in that the general public were invited to submit the entries. The result was a broadly based selection of buildings with a strongly domestic flavour and a wide geographical spread throughout the province.

The winner this year is a fine conversion and adaptation of a 19th-century clothing warehouse in the centre of Bel-fast. Known as the Clarence

bished and altered by the architects Robinson Patterson Partnership, of Belfast, as their own offices, premises for design consultants and a photographer's studio. It is a striking winner for a variety of reasons. First of all, it shows that it is possible to rescue a large brick 19th-century ware-house in the heart of the city and give it a promising new use. Secondly the architects, while treating the old fabric with considerable respect, were not intimidated by it and have done some radical things that extrally improve upon the actually improve upon the

They decided to remove the narrow front wall that faces onto the main street close to the BBC in Belfast and replace it by a glass wall that rises the whole height of the building. This was a bold and somewhat controversial thing to do but it has paid off. There is now a dramatic view from the street of the curved statusage and a glimmae is offered into every glimpse is offered into every floor. It is, of course, also a fine

house spaces with their white-painted brick walls are ele-gently complimented by smooth and glossy Ralian-tiled

floors and some simple glass block screens, I liked particu-larly the partners' offices,

larly the partners' offices, which have curved serpentine walls and beautiful, simple more means of classic glass and leather furniture.

There is a slight risk that the smoothness of the design, with all its hard surfaces, could be as rather transient and fashionable: too close to the world of "Next" and the hint of Japan?

world of "Next" and the hint of Japan?
In the final analysis it avoids the cliché by the quality of the materials and the elegance of the execution. But, it has to be pointed out, that there is a danger of this sort of interior design becoming a travesty of itself. I was interested to see the way that the photographer, Christopher Hill, who occupies another part of the same buildanother part of the same build-ing, had treated his interior. He had chosen to retain the old Be had thosen to retain the old ceramic and wood floor and some of the old warehouse machinery with a resultant enhancement of character.

The development of the warehouse is important for the city of Belfast. Too many of the fine, tall brick warehouses and former linen mills have been

former inan mills have been demolished and the substantial invasion of the London-styled office block and shopping pre-

into just another Euro-American city of dead plazas and

can city of dead plazas and empty atria.

There were three commended schemes this year that reflect the encouragingly high general standard of design and sansitivity. Kevin Coogan's Balmoral Golf Clubhouse has a refreshing ingenuity about it. The great striped tile roof at first sight looks somewhat excessive; it is when you realise that it provides a sweeping ise that it provides a sweeping shelter over the large verandah that the whole thing is justi-

Piccause the ground floor is for everyday routine things associated with golfing life – like locker rooms, showers, places where it doesn't matter places where it doesn't matter
if you wear your studded shoes
— all the main spaces are on a
"piano nobile." From this first
floor you get fine views of the
links and there is a restaurant
and bar. From the golf course
itself this new cholocuse does
all that a cholhouse should do.
It has a highly visible pitched
roof which is topped by a clock
tower. There is a friendliness
and approachability about this
well detailed design.

There is a great deal of public and private housing devel-

opment in Northern Ireland. I looked at several sheltered housing schemes for the elderly and one of them was commended this year. River House in Newcastle, Co. Down, is designed by architects Brian Knox and Clyde Maxwell. This home for 30 elderly people (built by the Presbyterian Housing Association) overlooks the sea and it has been beautifully designed to fit in to the locality. The white walls and grey slate roofs look exactly right here, an air of a casually grouped series of whitewashed houses seems entirely appropriate.

whitewasnes nouses seems entirely appropriate.
This sort of arcommodation is an area where architects all over the British Isles have over the British Isles have made an enormous and sensitive contribution to the care and housing of the elderly. River House had a clean exemity about it that was very appealing and comforting.

The staff and residents appeared to enjoy living there, and there was a happy atmosphere helped by the beautiful location and, I am sure, by the new architecture.

new architecture.
In the world of new aca-

demic and university accom-modation architects have slways enjoyed a design free-dom that is not always sup-

Magee Campus development of the University of Ulster, at Londonderry, architects Fergu-son and McIlveen have added substantial new buildings to the existing campus. This scheme was commended this year. It could have been a win-ner, but it was not possible to ner, but it was not possible to judge the whole effect of the campus expansion until the second phase is also completed. There is boldness about the

There is boldness about the large brick teaching blocks with their huge oversaling slate roofs, but they seem almost to overwhelm the older gothic Magee College. The language of the new blocks is a cross between overscaled vernacular and exposed supporting steel structures. Certainly there is a confidence here, but there is a confidence here, but perhaps not enough subtlety for a site that is very sensitive to large-scale changes. Ulster is undoubtedly in an architecturally lively mood at present: the combination of the

present: the combination of the civil and welcoming with a blush of fashionable post modernism is beguiling and positive, and the scale of investment in new buildings is impressive, providing cheering hope for the future.



Rosalind March and Steven Hartley

Mill Fire

RIVERSIDE STUDIOS

Sally Nemeth belongs to one of the contemporary theatre's endangered species — young writers capable of sculpting large themes from ever-diminishing resources. In the first of her plays to be seen in London, Holy Days, this Chicago-based dramatist dealt with the dust bowl disaster of 1930s America, evoking a slice of outback life as thick and choked with atmosphere as the air within it was with sand.

with eard.

In Mill Fire, she turns her attention forward 40 years to the crumbling Alabama steel industry of the late 1970s.

Brian Stirner, who directed the eartier play so finely at Soho Poly, has quite rightly gone for the higger Riverside Stage for this production hosted by the

Bush. Once again, Nemeth uses the particular as a peephole to the general: in this case a furnace blow-out at an undermanned teel mills sets the individual against the system. Marlene. whose husband died in the blast, refuses to wear seemly black or accept the "blood money" pressed on her by a company interested only in protecting itself against costly

initigation.
In doing so, she holds up payments to all the other mill widows, represented by a trio in neat black dresses, who are a constant presence, recount-ing the adjustments of their own widowhoods to each other without a hint of recrimina-tion, other than for the scarist woman in their midst.

The blast happens at the end of a first act which is structured in splintered scenes. On one side of the stage lies the bed of Mariene and Champ, newlyweds still in the first flush of passion; on the other side is the bed of their older friends, Bo and Sunny, whose life in the shadow of the mill has traved her into an along has turned her into an alco-holic and him into a kowtow-

ing company man.
Naturalistic scenes from married life are punctuated by lounge above and between them, the embodiment of their fears and also of a reality which becomes clear in the second act as Markene strug-gles with the pain of her

the staceato structure of a play which as yet needs to relax into the broad stretch of the Riverside. The sound system, in particular, is not up to what one imagines is the intention industrial monster that gobbles

But Sirner's scrupulously restrained direction yields restrained direction yields some strong, unsentimental performances, at the centre of them Clare Holman's sensual Marlene, whose sexual voraciousness is reflected in her passionate grief. Steven Hartley, as her husband, is hunky, happy-go-lucky and above all, ordinary, as he slides out of bed and into disaster, while Rosalind March's mercurial Sunny and Stephen Hove's passionary and Stephen Hove's passional performance. Sunny and Stephen Hoye's pas-sionate Bo erects a solid bul-wark of reality against the fayness of the widows, confirming once again that Nemeth is a woman to watch.

Claire Armitstead

I Surrender, Dear

THE PLACE

That lively and irreverent group Adventures in Motion Pictures opened a new programme last week. Or half a new programme, since Mat-thew Bourne's tribute to an

thew Bourne's tribute to an Englishman's France, The Inglishman's France, The Inglishman's France, The Inglishman's France, The Inglishman's International misunderstanding.

The novelty is Jacob Marley's I Surrender, Dear, which purports to show that "Disco Monsters need love, too," but is to feet a fer more serious piece. Monsters need love, too," but is in fact a far more serious piece than its title pretends. The six dancers of the company — three male, three female — are clad alike in mauve dresses.

The mood is dream-like, the performers somnambulists, sometimes blindfolded, acting out small dramas and tiny incidents as trash popular music gives way to Mozart's clarinet

gives way to Mozart's clarinet quintet. And what is so amaz-ing is that Marley's dance deas - often made up of collo-

quial gesture, or simple and unemphatic actions - sit so gently on the music's sublimi-ties. I cannot fathom why these activities should seem to be activities should seem to be engaging but nowhere does he bruise or brutalise his score. For part of the time the cast behave as if lightly smashed (they have mimed a quick works in mid-scene), and movement has that delicately insor-

ment has that delicately insor-cient sir which can be noticed among people who have not imbibed too deeply.

Yet there is an abiding impression of dance taken seri-ously, and intended seriously, too. When Mozart finally yields to Bing Crosby singing the title song — which boasts those innocent lines ("I may act gay/ It's just a pose/Because I'm not that way") — one of the men that way") - one of the men appears wearing what I can only describe as lit-up platform shoes, and the banalities of the lyrics are exposed in succinct

mime. It is reminiscent of Mark Morris's procedures, but most of the piece is memorably original and a delight to watch Matthew Bourne's Infernal Galop has already been admired in these columns by Alastair Macaulay. I can but add that it makes next fun of a great many cliches, not least the relentless mosnings of

Botth Piat.

The best item, though, concarns two chaps who are entering upon what one might call a Genet-type situation but are repeatedly interrupted by the rimetitles of a group of musirepeatedly interrupted by the vivacities of a group of musicians. And Mr Bourne's response to an Offenbach cancam — a vestigial romp, one might say — is a splendid end to a very jolly piece. Performances, production, design are uniformly good. This is an arrellent commany.

Clement Crisp

American Music Festival

HOYAL ACADEMY OF MUSIC

The Festival is an annual event at the RAM (sponsored by The Princess Grace-Hospital), and this year it has been "American" because the composer-in-residence has been the 82-year-old Elliott Carter, During the final concert last night, he both received Honorary Membership of the RAM, and awarded the student prize for "most promising work heard during the Festival" to Paul Pellay for his Millumino d'immenso, heard on the previous evening.

Thursday night's concert comprised three Carter works, Decoration Day by his early mentor Charles Ives, his compatriot Jacob Druckman's Chiaroscuro Chiaroscuro and a postgraduate piece, Periklis Koukos's Provinion – both of the latter British premières.

Procimion revelled in a large occhestra, quite professionally,

for six minutes: it suggested that Koukos must have a big theatre or ballet piece in him. The incessant bursts and lades of colour in the longer Chicroscuro conveyed no very compelling structure, at least

compelling structure, at least at first hearing.
Not that the RAM Symphony Orchestra, keenly conducted by Nicholas Cicobury, sounded below-standard — far from it one imagines, though, that even student rehearsal time has its limits.

Of the Conten works, the Of the Carter works, the

Three Occusions which Oliver Knussen premièred last October needed more precise gitter here for the opening elebration'

But "Remembrance" proceeded confidently, with a fine solo trombone, and the complex passions of "Anniversary" were lyrically spelled out; and the 1944

Holiday Overture - from the time when Carter was generally thought of (if at ail) as an academic composer with a knack for lively invention — was delivered with irresistible verve, not scamping its risky convergences but contrapuntal busyness but

making the most of it.

Surely the lion's share of rehearsal time had gone to the towering Variations of 1955, which concluded the concert to magnificent effect. The skill and the unyielding dramatic intensity Cleobury and his players brought to them were worthy of a far more seasoned

band. As even newcomers to Carter's intricate musical methods must have agreed.

David Murray

March 16-22

ARTS GUIDE

Joseph Swensen (violin). Elgar, Sibelius, Dvořák (Timrs). Barbi-can Hall (638 8891).

Entrope. Researt (Spin). Sains Par-yel (46638573).
Entenable Musique Vivante con-ducted by Diego Masson: Xenakis, Dusapin, Kagel (Mon). Auditorium des Halles (4023825). Patrics Fontanarosa (violin) aud-Bruno Rigutto (piano). Bach, Particum Schumenn. Parad Bruno Eigutto (plano). Bach, Beethoven, Schumann, Ravel (Tue). Salle Pleyel (45638873). Paul Badura Skoda (plano). Haydn, Beethoven, Mozart, Schmidt, Martin (Tue). Audito rium des Halles (40282828).

conducted by Armin Jordan. Yves Henry (plano) Jacques Van-deville (obce). Debussy, Krom-mer, Famé, Mozert (Thur). Salle Gaveau (4582080). Royal Concertgebouw Orchests with Malcolm Frager (plano), Herbert Blomstedi conducting.

The Chamber Orchestra of Europa and pianist Murray Fara-hia with an all Mozart pro-gramme. (Wed) Philharmonia, -tvo Pognatich piano recital, Haydn, Chopin, Scarlatti, Brahms, Balakirev (Mon). Phil-ter provide.

Trio Schubert de Madrid, Schub-

Barcelona

Circis Merritt (tenor) singing Durante, Scarlatti, Ginck, Han-del, Brahms accompanied by pianist Robert Kettelson (Mon). Teatro Alla Scala.(80.91.26) Lilia Zilberstein (planist) playing works by Schubert and Brahms (Wed) Conservatorio G Verdi.

of his own works and Mozart's violin concerto. (Mon, Tues) Auditorium in Via Della Conci-

New York

Cincinnati Symphony Orchestra conducted by Jesus Lopez-Cobos with Alicin de Larrocha (piano). Beethoven, Brahms (Mon); Christa Ludwig soprano recital with James Levine (piano). Schubert programme (Tue); Oratorio Society of New York conducted by Lyndon Woodsids. conducted by Lyndon Woods Beethoven conducted by Lyracon Woodle, Orchestre National de France conducted by Lorin Mazzal. Mes-siaen, Saint-Saens (Thur). Carne-gie Hall. (247 7800).

Washington

National Symphony Orchestra conducted by Franz Welser-Most Conducted by Frank Weiser-Not. Beethoven programme (Tue); conducted by Sir Neville Marri-ner, Bax, Mendelssohn, Vaughan Williams (Thur). Kennedy Center Concert Hall (467 4800).

Moscow Philharmonic Orchestra conducted by Dmitir Kitaenko with Yuri Bashmet (viola). Mous-sorgsky, Bartok, Rachmaninov (Mon). Orchestra Hall (435 8868). Chicago Symphony. Erich Leins-dorf conducting. Lisst, Thomson, Sibelius (Thur). Orchestra Hall (435 6866).

Tokyo

Stantslav Bundr (piano). Bach, Waber, Chopin. Suntory Hall (Tues). (505 1010). Trio di Clarone. Mozart, Poulenc, Stravinsky. Casals Hall (Wed). (289 9999). <u>Asian</u> Music Festival. Suntory Hall and other venues (from Wed) (576 6328).

SALEROOM

Dublin paintings stabilise

While the market for Irish pictures grabbed the headlines last year as the sums paid at auctions in both Dublin and London rocketted, the results of two big sales in Dublin last week indicate that prices, though etil hupsant, are stabled. though still buoyant, are stabi-

At Taylor de Veres 134 lots came under the hammer: the sale grossed £327,000 with 15 per cent bought in. The Adam calerooms offered 214 tiems in an auction that grossed £1.2m, also with 15 per cent being bought in.
The focus is on pictures

painted in the first 50 years of this century, with artists like Yeats, Osborne, Lavery, Orpen and Paul Henry the perennial and wall-established avourtes. But a surprising feature of last year's market was the prices fetched for pictures by lesser artists such as Letitia Hamilton, Frank McKelvey, James Humbert Craig and Maurice MacGonigal.

The top lot in the Taylor de Veres sale, an Osborne of "Bathers" (estimate £60,000-80,000) failed to sell. It had a distinguished provenance but Osborne had a very uneven talent and this was not one of his best works. It was withdrawn at £44,000.

This made way for a delightful, small, Moroccan scene by Lavery to fetch the top price of the day: £32,000. It was well worth the money as such pic-tures by this well-established artist still seem under-priced. Two landscapes by Paul Henry went for £17,000 (estimate £15,000-20,000) and £16,500 (esti-mate £8,000-10,000) respectively. Of the several works by Frank McKelvey in the sale, one sold at the top of the esti-

mate for 230,000. Letitia Hamilton, whose prices of up to £30,000 sur-prised everyone last year, dis-appointed. Two of her works and Irish scenes at that -were withdrawn while a third sold at £5,800 against a top esti-mate of £8,000.

The Adam Salerooms had as many as eight paintings by Hamilton on order and a Conne-mara Scene rated best. It went for £15,000 (estimate £15,000-20,000). A feature of this sale was the very large number of pictures by Jack Yeats on offer. There were 34 works but his results proved to be very uneven. Top lot of the auction was a 1937 Yeats that went for £115,000 (estimate £120,000-180,000). Another oil, "Singing Rolling Home" failed badly. It went for £60,000, even though it was estimated at £80,000-

By contrast two other pictures by the artist did well. A very small panel, "The owner of the shooting gallery" sold at £52,000 (estimated £28,000-34,000) and a similar-sized "The Ale House" went for 240,000 (estimate £27,000-35,000). The paintings of Paul Henry, of which there were only three in the auction, were in demand and a new record of £70,000 was established for a west of Ireland landscape (estimate £50,000-70,000). A more typical picture by him, with an estimate of £18,000-24,000, sold for

Homan Potterton

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FINANCIAL TIMES

MUSIC

London Festival Orchestra directed by Ross Pople with Bryn Terfel (base), Richard Freidman and Steven Smith (violins), Edward Beckett (flute). Bach birthday celebration (Tues). Queen Elizabeth Hall (928 8300). The London Ragtime Orchestra. Joplin, Jelly Roll Morton and Piron (Wed), Queen Festival Hall (928 8800). (928 8900). Helsinki Philharmonic Orchestr conducted by Vernon Handley,

Morray Peralda (piano) with The Chamber Orchestra of Europe, Mozart (Mon). Salle Plerium des Halles (GERZEES).
Orchestre de Paris conducted
by Claus Peter Flor. Salvators
Accardo (violin). Beethoven,
Kochan, Mendelssohn (Wed,
Thur). Salle Pleyel (45630796).
Ensemble Orchestral de Paris
anducted by Armin London

Mosart, Strauss (Wed, Thur). Concertgebouw (718 345). Netherlands Philhermonic Orchestra conducted by Kenneth Moutgomery, with Robert Cohen (cello). Diepenbrock, Elgar, Wal-ton (Wed, Thur). Beurs (27 04 65). Serlin

Maria Tipo (piano). Beethoven (Mon). Vredenburg (31 45 44).

Malcolm Frager (piano) in a programme of Beethoven, Chopin and Field (Mon). Palais des Claudio Arrau (piano) programme to be announced (Thurs). Palais des Beaux-Aris,

Utrecht

Walter Proost Chamber Orches-tra and Antwerp Symphonia conducted by Walter Proost with Giorgio Zagnoni (flute) playing Beethoven, Mozart and Vianella (Mon). De Singel. Shostakovich Quartet performs Shostakovich's String Quartets (Wed, Thur). De Singel. Shostakovich's String Quartets
(Wed, Thur). De Singel.
The Royal Flanders Opera Symphony Orchestra conducted by
Peter Burian with soloists performs the Messa Per Rossini composed by Italian composers to commemorate his death. (Wed).
Onze-Lieve-Vrouw Kathedraal.

Frankfurt

Frankfurt's Opera and Museum Orchestra, under Gary Bertini with Krisztina Laki (sopramo) and Robert Hall (baritone) with Brahm's German Requiem (Mon).

ert (Tues). Auditorio Nacio Musica (337 01 00).

Bracha Eden and Alexander Tamir. Piano recital. Brahms, Stravinsky (Wed). Fundacion caja de Pensiones (317 57 57).

Luciano Berio conducting two Authorium in via pang Consi-liazione. (6541044). Quartetto Vermeer playing Haydn, Bartok and Schumann (Wed). Testro Olimpico. (398304).

FINANCIAL TIMES

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Monday March 19 1990

Two Major temptations

MR JOHN Major should have raised in line with inflation. little difficulty in living up to but there is no other net expectations when he presents his first budget tomorrow. The budget is expected to be dull, both overall and in detail. But a neutral budget does not have to be boring and, in any case, it is better to be dull than disgraceful. Two popular ideas—raising the ceiling on mortgage interest relief and extending tax relief for child care—fall

in the latter category.

The arguments for raising The arguments for raising the mortgage interest ceiling are that it has remained where it is for a long time and that the current policy of high interest rates is hitting the heavily mortgaged hard. Both are arguments for keeping the ceiling. To raise it now would destroy the policy of allowing this unjustifiable relief to wither away Moreover. to wither away. Moreover, to quote the Chancellor, if the righ interest rate policy is not hurting, it is not working. Should Mr Major feel obliged to respond to the moans, then he must also restrict relief to the basic rate of tax.

basic rate of tax.

Mortgage interest relief is an old disgrace. Tax relief for shill care would be now and so still less defensible. Ignore the feminist rhetoric. What is being demanded is that the taxpayer should make a handsome contribution towards the cost of servants. If a namey's wages of 26,000 a year were fully deductible, a lucky employer in the 40 per cent tax bracket would receive £2,400. But those too poor to afford servants and those who wish to bring up their own children would receive nothing.

Child care

Allowing employer-provided child care as a tax free perk would be less indefensible. A child care voucher or tax credit child care voucher or tax credit to working mothers would be house. But a simple increase in Child Beneat would be bet ter still, since this would not bias the mother's choice between work and home.

If Mr Major avoids the dis-graceful, is he doomed to the tedious? His choices are not that limited. There are assemble

that limited. There are sensible ways of raising revenue and some equally attractive ways of spending it, even within the confines of a neutral budget (defined as one in which income tax allowances are that limited. There are sensible

Should the Chancellor wish to introduce a "tough" budget or merely offset the effects of independent taxation of husband and wife, he must find some additional revenue. One possibility is not to adjust income tax allowances, which would give him around £1.6bn. The decision would be wrong, however. Inflation should not be a surreptitious means of raising taxation. Moreover, raising income tax allowances is the best way for the Chan-cellor to provide help to those most battered by the poll tax.

Even if higher rates of income tax are ruled out, the Chancellor has alternative ways of raising revenue: he can extend national insurance contributions to benefits in kind; he can raise the upper earnings limit on employees' national insurance contributions; he can increase the taxations; he can increase the taxa-tion of company cars; and he can revulorise excise dutine. Because of the effects on the retail price index, the last is presumed to be as unaccept-able as higher rates of income tax. If so, this is unfortunate. The Chancellor could use the revenue and there are good social reasons for imposing ocial reasons for imposing higher indirect taxes on petrol, alcohol and cigarettes. Mr Major could even console himself with the thought that the headline rate of inflation would promptly become so high that it could only fall theself the could only fall

steeply the control.

With surplus revenue in his hands the Chancellor could try his hand at a bit of ter reform Places to look at are the sched ule of employers' national insurance contributions (which retains the defects removed last year from comployees' con-tributions), Corporation Tax and the taxation of savings, notably the treatment of inter-

Even a neutral budget need not be dull. But the motto always remains primum non nours (above all do no harm). Budget judgments are doubtful; the Budget likelf oversited; but one thing the Chancellor must not do is recently to the not so discreet clamour of the hoursecisie.

New rules for state industry

HEATED arguments over nationalised industry policy have recently broken out between Sir Leon Brittan, the European competition commissioner and the French authori-ties. These highlight the need for clear European Community rules in an area where hazy boundaries and murky practices have long conspired to distort markets.

At best, relations between nationalised industries and the transparency and commer-cial disciplines normal in the cial disciplines normal in the private sector. At worst, state ownership has enabled Euro-pean governments unfairly to subsidise favoured producers and to preserve inefficient industrial capacity. Unchecked, such habits would be as damaging to free competition in a single market as the perpetua-tion of national barriers to trade in goods and service

Sir Leon does not dispute the principle of state ownership, which is explicitly recognised by the Rome Treaty. But he wants to restrict abuses by requiring governments to behave more like private shareholders. As well as con-trolling subsidies more strictly, he is drawing up guidelines to ensure that nationalised industries earn reasonable returns on capital, pay regular divi-dends and are not guaranteed

against bankruptcy. Whatever criteria are employed, they are bound to involve subjective judgments on matters such as what constitutes a "fair" rate of return. The scope for arbitrary decisions by Brussels unsettles the French Government. It has come to view Sir Leon as a man of dangerously Thatcher-ite tendencies, following his decisions to challenge subsidies to the state-owned Renault motor group and the planned takeover of UTA, the country's largest private airline, by the state-owned Air France.

Sabsidies trimmed

On the face of it, France appears to be over-reacting. It has trimmed industrial subsidies in the past decade, and most companies in its extensive state sector are profitable enough to stand on their own feet. However, Paris is concerned that forceful intervention by Brussels will disturb

the delicate political balance in the governing socialist party. Continued state ownership enshrined in President Mitter rand's commitment to "neithe nrivatication nor nationalisa tion" is largely of symbolic importance in France. Its main function is to reassure those on the left that, in spite of its enthusiastic conversion to market-oriented policies, the Government has not jettlsomed socialist values entirely.

Incoherent doctrine Many officials in Paris freely

admit that the "neither/nor doctrine lacks any coherent economic rationale and is cum-broome to administer. That is not to say that they do not perceive advantages in it. State industries are protected against the threat of takeover by foreign predators, and their substantial holdings in French publicly-quoted companies offer scope for discreet official manipulation of the financial

Suspicions that the French Government views nationalised companies as instrument of industrial policy have also been fuelled by their enthusiastic pursuit of foreign acquisi-tions. This has unsettled Brit-ish authorities, which are considering subjecting their future UK takeovers to tighter competition policy rules.

However, it is doubtful for

how much longer the "neither/ nor" doctrine can contrive to keep the boundaries of the state in place. It is imposing increasingly heavy costs on nationalised companies.

Denied access to private equity, they have been forced to resort to expensive borrowing to finance ambitious expansion programmes. Further-more, the policy has already been breached by the partial privatisation of Renault, to enable it to exchange shareholdings with Volvo of Swe-

Brussels can hasten this process by taking firm action to ensure that nationalised companies do not enjoy advantages which are not available to their private sector competitors. Once it becomes clear that state ownership of industry confers no special privi-leges its appeal, in France and elsewhere, will rapidly evapoRoger Matthews looks at Cambodia's battle to find durable peace

ust over an hour after the start of the 9pm curfew in Pimous Penh on the last Sunday in February, an explosion ratifed windows in several buildings in the The Khmer Rouge centre of the city. It was not a big blast by Beirut or Belfast standards, but in the rural silence of the Cambodian capital at night, it was a sharp reminder of political realities, past inheritance Above the shricking of army whis-ties and shouts of troops on motor-cycles racing down the street, an

from south-west Cambodia began to turn against their colleagues from the east of the country in 1977, it was over links with Vlamam — as if Hanol had never been the main provider and supporter of the Khmer Rouge in pre-

audience of several hundred edged forward in the darkness, just visible on the balconies of unlit spartments,

whispering and watching.

The next morning, yet another session of negotiations aimed at finding a solution to the 20-year Cambodian crisis opened hundreds of miles away

It was as if nothing untoward had happened overnight in Phnom Penh. One or two people in the hotel thought they might have heard something but they did not wish to pursue

the conversation. Officially, there was

silence.
On the streets of the city, ubiquitous groups of pleading mothers with unwashed children on their hips began their daily quest for food. Parked nearby, next to a generously-supplied store selling imported liquor, was a Mercedes — one of the rash of new privately-owned cars in Phnom Penh. All around were posters extolling the virtues of the communist system of government imposed on Cambodia just over 10 years ago.

bodia just over 10 years ago. A foreign aid worker who lived for several years in Pimom Penh said, not

unoriginally but rather bitherly, that Cambodia was a kaleldoscope. Shake it, view it and decide which picture best suits your preconceptions and

prejudices.

The international pace of shaking and viewing has intensified with Viet-

and viewing has intensified with Viet-nam's commitment to, and subse-quent unverified completion of, its military withdrawal last September. But the prospects of a durable settle-ment remain precariously halanced between regional and superpower interests, the situation on the battle-field in Cambodia and the for-too-long writested ettifudes of the Elemen rec-

field in Cambodia and the for-too-long untested attitudes of the Khmer people who ultimately have to be reconciled if the country is to have any chance of pearand inture.

At the heart of the issue is the Khmer Rouge and the past and present members of that barbaric organisation. The mass killings and widespread deprivation perpetrated by Pol Pot and his accomplices between 1975 and the end of 1978 rate high among the worst atrocities committed this century.

They rightly invite deep moral indignation and disgust and it is hard not to agree with those who argue

The Khmer people will

reconciled for a chance

that anyone who hald any position of responsibility in the Kamer Rouge during those murderous 44 months should, at the very least, be forever barred from public office.

This, like many sound principles, is difficult to sustain in the face of practical politics, especially when some issues have changed so little in the next 11 years.

The rifts which split the then ram-

pant Khmer Rouge in 1977 and 1978 are much the same ones which pre-

vented progress at the peace talks in Jakarta. One of the main divisions between past and present Khmer Rouge remains the relationship

hetween Vietnam and Cambodia.

When the maniacally-nationalist Pol

Pot and his grassroots supporters

ultimately have to be

of a peaceful future

in Jakarta, the Indonesian capital.

vious years.

The men whom Pol Pot then wished to purge included Mr Heng Samrin, whom Vietnam subsequently installed as President after its invasion and Mr Hun Sen, the present Prime Minister. Some Cambodians found it particu-Some Cambodians found it particularly ironic that the peace talks in Jakarta should founder on the dispute between Mr Khieu Samphan, a long-serving Kinner Rouge leader, his former associate Mr Hun Sen and Mr Nguyen Co Thach, the Vistnamese Foreign Minister, over the use of the word genocide.

"It is hard for us to accept that it is

"It is hard for us to accept that it is these men who presume to decide the fate of our country," commented one elderly Cambodian. There is much more to this country than the choice they are offering."

It also underlined something which seems intulerable from a distance but which is difficult to exceed in Physics.

which is difficult to escape in Phnom Penh – that there is unlikely to be any durable solution to the Cambod-ian problem which sets out to exclude the Elmer House.

ian problem which sets out to exclude the Humer Honge.

"We all know that you cannot pretend they do not exist," said a Cambodian, now resident in Australia,
who returned for the first time since
losing three close members of his family and fleeing across the border into
Thailand in 1979. "Of course we hate
the Khmer Rouge — all of them. Look
what they did to my family and
triends. But they are still there. The
Visinamese defeated the French and
the Americans but even after 10 years
they could not beat the Khmer Rouge.
I do not like it and people shroad may
not believe it, but the Khmer Rouge
does still have some support here."

Cambodians and diplomats in
Phnom Penh cite four main reasons
for this phenomenon. First and most
important, the military and financial
backing of China which is determined
that its old enemy Vietnam should
not be in them its 1978 invasion.
Second, the discipline and commitment that the Khmer Rouge still
imposes on and extracts from its soldiers.
Third, the responsive chord its viru-

diera.

Third, the responsive chord its virulent and Victnam rhetoric strikes in parts of the country. And fourth, the Khmer Rouge exploitation of the again-widening divergence between a small, relatively affinent minority in the cities and the mass of rural poor.

An aid worker with considerable rural experience said there was evidence that in areas where the government presence was thinly spread, the Khmer Rouge had for some months been offering farmers more cash for their rice crop than the central government.

Some farmers are so close to starvation they will support snyone who survival," he said. "In the countryside there has always been this suspicion of the cities. The Khmer Rouge exploited it very effectively in the early 1970s and they are doing so again now."

A close colleague of Hun Sen admit-ted that he was fearful that while the Government might win the war, it would lose the peace if souring infla-



tion were not soon brought under control. He also implicitly referred to the sharply-widening gap between the official value of the riel and the free market rate, the widespread accusations of corruption and the allegations of mismanagement of state funds.

In Brussels last month, more than 30 foreign non-governmental organisations appealed for a big increase in international did for Cambodia wills some of their staff were expressing their concern about the diminishing proportion of funds which actually reached the intended destination.

Herent visitors to the main hospital at Battambang, Cambodia's second-largest city which receives most of those wounded fighting the anti-government forces in the north-west, said.

ernment forces in the north-west, said. they were less shocked by the appall-ing conditions they found there than by the almost total absence of medical supplies some three weeks after two large shipments were unloaded in

"We can only presume that most of it went straight onto the black mar-het," said one doctor. "If I want to

operate, I suppose I shall have to go
out on to the street and buy back
what was sent to me."

Officials say that plans are being
prepared to crack down on racketsering, to force state enterprises to hand
over profits to the government, to
restore confidence in the currency
and to improve the morals of the and to improve the morale of the armed forces. There have been several reports in the past months of ill discipline among troops protesting at poor conditions and pay levels of less than it a week. An official said the curiew in Phnom Penh had less to do with curity than to remind people that the country was at war.

After the failure of the interna-

August and September, there was a tacit and deeply-cynical assumption that the warring factions would use the subsequent six-month consulta-tion period to intensify the fighting in a bid to strengthen their hands at the

next negotiating session.

The Khmer Rouge, together with the smaller non-communist guerrilla forces of former Hand of State Prince

Norodom Sihanouk and those of former Prime Minister Son Sann, have succeeded in slightly broadening the strip of territory they control along the border with Thailand.

But despite all the deaths, casualties and wildly-exaggerated propaganda on all sides, the fighting has done nothing to bring a solution neaver and the deadlock remains. The suffering has only reinforced the obvisuffering has only reinforced the obvious - that there has to be a politically-negotiated settlement. There are grounds for modest optimism, espe-cially in the longer-term international

China and Vietnam, two of the most rigidly-orthodox remaining commu-nist governments, must be affected by the huge changes in international relations caused by events in the Soviet Union and eastern Europe. Vietnam, in particular, will increasingly need to offset reduced economic and political aid from the Soviet Union by removing the final obstacles to improved relations with Europe and ultimately the US.

Some Western diplomats also believe that China is now prepared to believe that China is now prepared to be the China is now prepared to be the China is now prepared to be the China is now prepared to the C

believe that China is now prepared to disengage from the Khmer Rouge if it can be done without loss of face and in a way which denies Vietnam a future role in Cambodia.

In addition, a huge amount of work has been done internationally, especially by the Australian Government, which helped encourage a new impetus for a settlement among the five permanent members of the UN Security Council, by setting out in detail the range of practical options open to Cambodia. The five — the US, Soviet Union, China, France and Britain — agreed, on the basis of the 153 pages of proposals from Canberra, that a provisional UN authority should administer Cambodia and organise free elections. This was a significant administer Cambodia and organise free elections. This was a significant step forward although still a long way from being accepted by all four warring Cambodian factions.

Other problems remain, not least how to secure a cessation of hostilities. However, this level of international diplomatic activity has triggered among some Cambodians as

gered among some Cambodians a flurry of speculation about the possithe line-up of competing political par-ties: whether Hun Sen's considerable political talents could offset the hand-icaps of his past; whether the temper-amental Prince Sihanouk is still releamental Prince Sihanouk is still relevant 20 years after his overthrow; whether the Khmer Rouge could possibly poll more than 10 per cent of the voie; and, perhaps most enthusiastically, whether there is a real possibility of a fifth force emerging, centred in part on Cambodians returning from overseas, around whom a natural majority would form.

Much of this is, at best, very premeture. But it has been stimulated by the Vietnamese withdrawal which has

Some believe Vietnam and China are prepared to disengage themselves from the Khmer Rouge

heightened the sense of change in Phnom Penh while also creating the impression of drift.

"Since the Victuamese pulled out it has been very difficult for Hun Sen to develop much sense of national purpose, other than by playing on the spectre of the Knmer Rouge," a Phnom Penh diplomat said. "But as most people do not think that this Government stands any chance on its own of defeating the Khmer Rouge there is not too much enthusiasm to get involved in the fighting."

The eventual goal seems clear enough to many Cambodians. The task for the international community is, as ever, to persuade the Chinese and the Vietnamese that it is worthwhile to head in that direction.

US begins to notice

M The survivability of Margaret Thatcher as Prime Minister is finally being ques-tioned in one of the places where her reputation has been highest – the US. There has been an increas-

ing number of press and television reports about her problems in the past week or so. The trigger was the distur-bances at Town Halls over the poll tax, which make striking pictures and perhaps touch an American populist note. This follows a long period when the Tories' problems were brushed aside. Nigel Law

son's resignation was a one day wonder, partly because US commentators — brought up on a presidential system — do not see much difference hetween a Chancellor of the Exchequer and an adviser, like Sir Alan Walters, who also resigned. Interest, however, is picking up. Some of the comments have

been plain silly. For example, been pain sny. For example, here is Paul Craig Roberts, a former Reagan administration official: "The male chauvinists in her own party are ganging up on her. They claim that now that the country is on its feet again, it's time to have a proper man at the heln To force her out, her fellow Tories are acting out a series of events planned to embarrass her. The British media are, of course, anti-capitalist, and are very grateful to the schen ing Conservatives for the opportunity to bring down the most popular Prime Minister since Winston Churchill."

More serious analysts in

Washington are just beginning to think of what a Heseltine, let alone a Kinnock, administration would mean. There is some awareness of the shift in Labour's defence policy. And, with the changes in East West relations, there is an acceptance that a defeat for Thatcher would not fatally undermine the US position in Europe. There have even



Chancellor, will be in Washington during the Easter recess. He can expect some tough questions, but at least he will be noticed. BANX

Rugby cycle ■ I was sorrier than I expected when England lost the rugby match against Scotland at Marrayfiald on Saturday. This was because one is so turned to seeing England doing anything so well as when they were playing rugby earlier this sea-son that one wanted to go on savouring it for a while longer. it was arrogance that threw it away. If they had kicked for goal when they had kicked for goal when they had penalties, instead of going for fancy tries, they might well have won.

All of which makes one reflect on the shortness of the cycle: from almost bottom to

been one or two suggestions that her departure would smooth the political changes in Europe. Nevertheless, Thatcher so

much personifies Britain for the US public, and most politi-

cians, that her resignation or

defeat would have a profound effect in the US - raising pre-

viously unasked questions about the mature of Britain's

revival during the 1980s. John Smith, the Shadow

Drexel man

the top within a few months, then to lose the crucial mate

At least the economic and

political cycles last longer, even if the end result is the

Hong Kong's drop out from the Drexel Burnham Lambert collapse, Marc Faber, has bought out the US firm's local branch, which he used to head, to pursue his own junk-ori-

An accentric Swinsborn and lyst in his 40s, with a local reputation as Dr Doom, Faber



"I don't think you're meant to keep your ballot paper as a souvenir, Heinrich."

ued stocks at the bottom of the heap which should (or could?) improve in time.

Tra thinking of an Asian country like Sri Lanka where stocks are unbelievably cheap for political and economic reasons, or some heavily under-valued Hong Kong industrial

equities," he said yesterday. Instantly recognisable (from the rear) on Hong Kong's social circuit by his pony-tailed bair style, Faber intends to avoid commodities which be says are too risky. He is highly Milken, who left the firm with no friends. But he sees "nothing wrong with the junk bond concept, providing you

Faber earned his Dr Doom label by forecasting the 1987 world markets crash, and by usually recommending clie to sell rather than buy. His Drezel buy-out - temporarily called Swiss Asian Investment Consultants - will provide a range of brokerage and investment services. But the present doom-laden advice is simple: "There is no hurry to

don't buy too much".

buy anything — I'd rather stay liquid for one or two years."

Out of order

■ One of the problems about establishing democracy in East Germany is the telephone sys-tem, or rather the lack of it. It is very difficult to get hold

Only 16 per cent of households possess a telephone – compared with 93 per cent in West Germany. International connections are made, if at all, almost by acciden

While (say) British Telecom

enjoins users of all nationali-ties to make use of the long distance lines and "call home" more frequently than is healthy for the pocket, the East German telephone author-ities specifically ask their subscribers to refrain from calling long distance. In the front of the East Berlin directory, cal-lers are begged to "be brief". Not only is the system inefficient; it can be dangerous. Telephone calls made during

isd westber and storms are attempted strictly at "users' own risk", the Berlin directory And since, in the past, posseesion of a telephone tended to be a privilege granted by the regime, many of the new

democrate do not have one.

Somerville

■ The Prime Minister must at least be pleased by the progress of her old College. Of the four Oxford dons elected to the Royal Society last week, two were from Somerville: Dr Louise Johnson, who speci-alises to molecular physics, and Dr Carole Jordan, whose field is astrophysics.

Good lunch

■ Henderson Unit Trust Management reports that one of its Funds grew by 42 per cent over five years, and by 243.1



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fashionable view these days is that the most successful bosses and corporate cultures within the newly emerging transnational industrial groups in Europe will prove to be "outsiders" — like the Swedes or the Americans.

A MVbCH 3.7

ace

In his office, a stone's throw from the Arc de Triomphe in Paris, Mr Pierre Combeau cannot afford to countenance that view. "It is just not going to be true," he says.

Mr Combeau has a lot riding on that rebuttal. For one thing, he is one of three managing directors on the of three managing directors on the main board of GEC Alsthom, the heavy engineering group which, with sales of £5bn, is the biggest

Anglo-French company merger. Put together at the end of 1988 out of the power systems divisions of GEC, of the UK, and the Alsthom subsidiary of Compagnie Générale d'Electricité, of France, the venture's success in welding different cultures and product lines into an effective world force will affect the livelihood of its 80,000 mortules and product and affective world force will affect the livelihood of its 80,000 mortules and over 160 mortules.

win anext the invention of his 80,000 monloyees and over 100 metories. For another, GEC Alsthom will be locking horns much more frequently now with one of those "outsiders," Asea Brown Boveri (ABB), its main rival in power station and electricity. rival in power station and electricity transmission equipment and rail transport systems. Since its formation in a Swiss-Swedish merger in 1967, ABB has become the world's higgest electrical engineering group. Its insatiable appetite for buying just about any power station equipment manufacturer that comes on the market has created an empire of more than 1 100. created an empire of more than 1,100 companies, 215,000 employees and sales of \$25bn (£15.5bn). Though decentralised, the dominant culture in the group is Swedish and the driving force is a Swede - its chairman, Mr

Percy Barnevik.

Percy Barnevik.

Such mergers always involve some conflict of culture. More than a hint of that is articulated by Mr Jean-Pierre Desgeorges, GEC Alsthom's chairman and joint chief executive and the former head of the Alsthom business which contributed two thirds of the new grouping's overall sales.

Development of managers was poorer in the GEC businesses than at Alsthom, Mr Desgeorges claims. Also, he says, less money was also spent on research and product development than at Alsthom. Mr Desgeorges says that part of the reason for that lack of R&D expenditure was overtight financial control at the centre of GEC. cial control at the centre of GEC. Nevertheless, Mr Desgeorges says be has excellent relations with Lord

Weinstock, GEC's managing director.
And he expresses confidence in the new Anglo-French partnership. "This is is going to be a hig new, dynamic company, We will no longer be Frenchmen and Englishmen or German or whatever in the company because of this common corporate culture, which is developing. All serior

because of this common corporate cul-ture which is developing. All senior managers have this feeling."

The view is echoed by Mr Jim Cronin, the only British manager on the main board, other than Sir Robert Davidson, former head of the GRC power systems division and now dep-uty chairman and joint chief execu-tive of the new group. "Things have

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Welding cultures into world forces

Nick Garnett describes the opportunities and difficulties which face the Anglo-French joint venture of GEC Alsthom

come together very quickly," he says.

It is tempting to draw two conclusions so far from the formation of GEC Alsthom. One is that if there is still a French "side" in the new group, it must be very satisfied with the structure because the stamp Alsihom-has left on the set up is much bigger than that of GEC. The new group's divisional skut-

The new group's divisional structure has been lifted from Alsthom rather than from what Mr Desgeorges claims was a less coherent organisation of separate companies within the old GEC power systems division. The new group's headquarters is in Paris. Its this executive is French. Two of the three managing directors on the main board are French and out of the heads of the group's seven divisions. heads of the group's seven divisions and two main operating subdidiaries, seven are French.

The other conclusion is that the French "side" must be exasperated

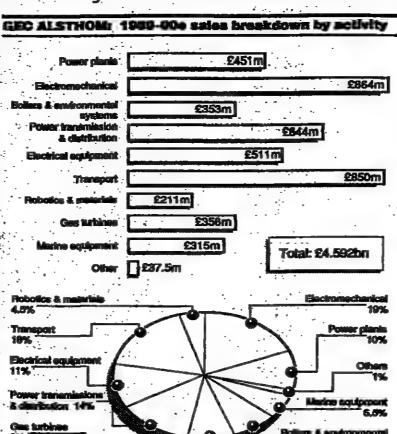
with events in the UK power engineering market. When merger talks got under way between Mr Dearstock, the UK power sation market was looking attractive. Three hig new coal fired stations and three nuclear. coal fired stations and three nuclear ones were on the way and GEC looked set to get a chunk of that work. Instead, these projects, har one, were shelved on the back of electricity privatisation. In the new, highly fragmented UK scene, gas turbine technology — for which GEC Alsthom does not have a long track record for hig power stations — has emerged hig power stations — has emerged strongly, along with foreign competition. Siemens, of West Germany, competing with GEC Alsthom, recently won the first large, non-nuclear power station contract in the UK for a decide in the 5250m are snowed. decade - the £350m gas-powered 900MW station at Killingholme, Hum-

For a group which gets 70 per cent of its sales from electricity generation or transmission projects, this has been a blow. It has clearly annoyed the French and British managers at the French and British managers at GEC, but French irritation appears stronger. "We have been very disappointed that the UK market has not materialised," says Mr Combeau.

Nevertheless, the GEC Alsthom board stresses that this has not affected the rationale for the merger. "We never thought we would avoid foreign competition. It is a fact of life," says Mr Combeau. "It does not change the reasons why we joined forces."

The formation of GEC Alsthom was

The formation of GEC Alsthom was



ownership structure of the power engineering groups. Of the big compa-nies, only General Electric, of the US, and Siemens do not now have a big joint venture partnership. GEC Alathom makes a powerful argument for the product and marketargument for the product and marketing fit between the two former operations, GEC's traditional power station market has been the UK, China, the Far East and South Africa, whereas Alsthom's has been France, North Africa and the Middle East. GEC has been strong in middle size transformers, Alsthom in big and small machines. The UK arm brought switchgear with vacuum technology, Alsthom the more costly, but more sophisticated gas technology. In gas turbines, GEC's Ruston turbine company had machines from 1.94W to EXMW.

Alsthom also contributed to the Alsthom also contributed to the

group a lot of equipment and capabil-

ity the former GEC operation lacked. However, a big overlap exists in turbines and generators — core equipment for a power plant. The group has already warned that factory overcapacity here, exacerbated by the troubles in the British power station market, will require plant rationalisation, starting in earnest next year.

Apart from winning orders and making profits, the success of the group will be measured in welding cultures and extracting the best from pooled resources. Mr Desgeorges says GEC was just about the only option for Alathom and he is happy with it. "I first contacted Arnold in 1984 but he was not interested in a merger then." Alathom talked to Ansaldo of Raly (most of which is now linked up with ABB) and with Siemens but, according to Mr Desgeorges, there according to Mr Desgeorges, there was no hope of a deal with these.
"The Germans say: 'I'm smaller than

you, but I want to be the boss.' Siemens wanted 51 per cent. It was impossible. Arnold (Weinstock) was much more flexible."

However, there were, and probably still are, marked differences in behav-iour between the two groups. GEC's power systems operation was more profit orientated. Alsthom more sales orientated. In the last full year before merger, the businesses contributed by GEC made a £90m profit on sales of £1.2bn. Alsthom's profit of FFr54.5m (£57m) was much smaller but on sales double at PFrishbn.

Alsthom, according to Mr Des-georges, spent 3-4 per cent of sales on R&D, GEC 1-2 per cent. Another big difference was relationships with the outside world. "Alsthom had made its mind up to become a fully European company, though centred in France, long before the merger," says Mr Cronin, GEC had not developed that view of Europe, but had a much stronger network of operating companies outside Europe.

GEC Alsthom directors say that

GEC Alsthom directors say that senior managers have taken to the concept of the new grouping, but concede that further down the structure has been some personal resistance to the changes. English and French are both accepted as the company's "language," but this probably comes easier to the French. Most of the Frenchmen on the board are comfortable speaking English. Neither of the two Englishmen on the board speak French though they are learning.

GEC Alsthom still faces one strategic decision. If thought it had found a North American arm when it agreed to merge with Combustion Engineer-North American arm when it agreed to merge with Combustion Engineering, (C-E), of the US, last year, but the deal fell through at the last minute. Some kind of deal between GEC Alsthom and General Electric cannot be ruled out. The US company already has a 10 per cent stake in a new gas turbine business set up by the Angle French mouth.

Anglo-French group.

The two outside factors that will shape GEC Alsthom's performance are the success or otherwise of its competitors and the flow of orders. The Anglo-French group believes that in power stations, the Japanese trio of Mitsubishi, Hitachi and Toshiba could become more competitive. As regards ABB, whose acquisition methods he describes as "brutal," Mr Desgeorges wonders how that group can absorb

wonders how that group can absorb all its buys.

As for orders, GEC-Alsthom is loaded for many years with work on new train systems, including the TGV high speed train and Channel tunnel equipment. It believes prospects for gas turbine stations are good, that demand for switchgear and transmission equipment worldwide will begin rising steeply within five years and that it will get some of the big power station contracts in the Third World. It has still to prove itself, though, as a station contracts in the Third World. It has still to prove itself, though, as a supplier of hig gas turbines for power stations, and a lot depends on the newly introduced 212MW machine—the world's biggest. How well GEC Abshom exploits these opportunities will depend in large part on its ability to weld together two very different

LOMBARD

Time to cheer up about the Mark

By Samuel Brittan

AS SOON as it became clear that eastern Europe was reject-ing not only totalitarian political rule but collectivist economics as well, a grudging note crept into some western reactions, especially in relation to Germany.

Yet those of us who have walked past the gruesome museum just before Checkpoint Charlie, dedicated to fugitives who were shot trying to escape from the East, should rejoice over the demise of that regime and the forthcoming unification of the country.

Not only did the former communist regimes have an abysmal record in relation to both freedom and prosperity. Their performance was also dreadful in areas such as environmental and pollution control, where there is a difference between private and social cost, and where textbook economics might expect socialist economies to have an advantage.

The grudging attitude to the changes in Europe is not confined to the Left. Nowhere is this more apparent than in the this more apparent than in the imminent prospect of German monetary unification. We were previously told by the Thatcherite camp that the large Federal German payments surplus and low rate of inflation—compared with the position in Britain—made it impossible for Britain to join the EMS. The same sources now tell us that the yulnerability of the that the vulnerability of the Mark and the likely inflation-ary forces arising from unification make it undesirable.

Whatever happens to the German - or any other - economy is presented as a reason for Britain not joining. Obviously there will be plenty of hurdles to overcome in monetary unification. But in monetary unification. But the pessimism is being over-done, even by some in the Frankfurt business commu-nity. In terms of population, East Germany will account for between a quarter and a fifth of the whole country. The inte-gration task is less than that accomplished at the inception of the Federal Republic when millions of refusees came from millions of refugees came from the East. The Bundesbank is confident that the rate of inflation can be held to an annual average of 3 per cent over the next few years.

the state of the same as described and the base before the same of the same of

The one-for-one conversion rate for East German Marks, supposedly offered by Chancel-lor Helmut Kohl, has been used to frighten the faint-hearted. It will look very differ-ent when we know how much East Germans will be able to convert straight away at that rate. But even if the worst came to the worst, the value of money balances in the East are only some 15 per cent of those in the Federal Republic and represent a similar proportion of output. The Bundesbank should be able to prevent these having an inflationary effect with normal monetary tools. The most worrying problems concern wages, industry and public finance. If real wages are set too high, many jobs will be lost and investment will not be attracted. If they are too low mass emigration will continue. mass emigration will continue. East German wages are about '60 per cent of the West German ones, if converted at par while the productivity ratio is somewhat less. The West German unions are predictably behaving as false friends by demanding wage equalisation. Fortunately, the influx of immigrants will weaken the unions and other influences.

unions and other influences making for wage rigidities – another reason why the end of the Wall is not universally welsuggestion ("Counting the cost of German unification," FT March 15) for an East German pay subsidy points in the wrong direction. For enterprise there needs to break with the habit of looking to the state for solvency, not encouraged fur-

The required investment is likely to be financed by run-ning down capital exports and finance all-German investment, public and private. The counterpart will be a running-down of the payments surplus which Barclays expects to be eliminated within two or three

Main-stream international economists have always urged this and have no right to be surprised if it means higher world interest rates — which are in any case a small price to pay for the advancement of freedom and prosperity.

LETTERS Service of the service of th

A supply side answer to East German problems

From Mr Hans-Helmut Kotz and Mr Dieter Wermuth. Sir, Politics in Germany have been more or less pushed along by those voting with their feet and leaving the East

on the brink of economic col-lapse. Stopping the outflow to the West is thus the top politi-

cal priority.

We believe the solution must involve a supply side response, with markets that provide incentives and competition.
Only thus will resources be used economically and will people be provided with the goods they desperately want.
We should like to make a traightforward proposal for straightforward proposal for the change to a mixed, west-

Let us take the name Volk-seigene Betriebs (people's owned companies) literally. Since individuals in East Ger-many have been deprived for

From Mr Fred Harrison.
Sir, Whereas others have quoted and counter-quoted

Adam Smith on the poll tax

(Letters, March 15), no one has yet noted that he identified ground rents as the most

appropriate source of revenue

These, he wrote, were "... a species of revenue which the

owner, in many cases, enjoys without any care or attention

Though a part of this revenue should be taken from him

in order to defray the expenses

of the state, no discouragement

will thereby be given to any sort of industry.

for government.

Adam Smith and site value

rating as a poll tax alternative

four decades by an utterly inefficient set of economic institutions, they should be compen-sated by receiving property rights in the state-owned Kombinate now to be privatised. Such a reallocation of property rights from the state

erty rights from the state should be conducted on a household basis. Since many Kombinate will quickly floun-der once exposed to real com-petition, households should be given a basket or a market index of participation rights rather than just the shares of the company where they work. From the start, these should made individually tradable on stock exchanges. This would make available the manifold instruments of capital markets for economic restruct-

nring, especially for the dives-titure of the clumsy Kombi-nate. Shareholders who see good earnings potential from

their stocks through changes in management policies would stick to their initial endowment of property rights or try to increase it. Others might want to sell and raise money for consumer goods.

Buyers might include Kom-

binat managers seeking to invest through leveraged buyouts in their own abilities. They could use their own property rights as collateral: If this happened soon, East Germany would be a much more attraction. tive proposition — real wages are still low, the willingness to work hard would be high, and prospects for a sound return on investments would be good. This should attract foreign interest and much-needed capital and knowhow.

However, this runs into the emotional, politically sensitive idea of a sell-out to the West. For the public, it seems important whether a company is owned by natives or foreigners. owned by natives or foreigners.
Against this, enlightened reasoning usually states that individuals evaluate companies in
three ways. As investors, they
want profits. As workers, they
want a decant living. And both have to respond to consumers looking for sound products.

There is a sell-out going on in Spain and Portugal and the spanish and Portuguese love it, because the resulting capital inflow has led to some of the world's highest growth rates. Who still recalls that the US the 19th century? Hans-Helmut Kotz, Chief Economist, Deutsche Girozentrale,

Dieter Wermuth, Managing Director, Manufacturers Ham

Law needed to curb excessive pay increases for directors "The annual produce of the land and labour of the society, the real wealth and revenue of the great body of the people, might be the same after such a

From Mr A.C. Duncan.
Sir, Is it not time for legislation to control the excessive increases which directors of public companies are prone to award themselves?

It would appear fatile for governments to try to persuade employees to accept rises below the rate of inflation while condoning directors' salary and bonus package increases which outstrip not only inflation, but also their companies' earnings growth.

A simple formula could limit annual increases in total remuneration for directors of public Centre for Incentioe Taxation, companies to not more than 177 Vauxhall Bridge Road, SW1 the average annual increase in

their companies' earnings over the previous three years. No increases would be permitted if the immediately prior year showed a loss or a drop in

To cater for special circumstances, this limit could be waived by a proxy vote of shareholders in which, say, at least 60 per cent agreed.
Such a measure would go a
long way to convince union members that not only the rank and file have to suffer waste histralist. 19 Cork Street, Belize City, Belize

Mr Scargill and the political outlook of the NUM leadership

From Professor Brian Towers. Sir, I have no wish to prolong the correspondence on the 1984-85 miners' strike, but it is difficult not to respond to Mr Franklin (Letters, March 12) who equates the NUM leadership and its political views with those of Mr Scargill on the basis of a 1975 interview.

First, the now famous New Left Review interview of June remains impoverished relative 1975 was seven years before Mr Scargill was elected president of the NUM That does not necessarily mean that time changes one's view of the world, but at least it has to be

taken into account

senior officers, part of, and responsible to, the union's national executive. The executive also reflects the views of the NUM area officers and those who elected them. The NUM is a federal structure and even today, five years after the strike, the national union

tax as before.

"Ground-rents, and the ordinary rent of land, are, therefore, perhaps, the species of revenue which can best bear to

have a peculiar tax imposed upon them." (Wealth of Nations, Book V, Chapter IL)

be one of the contenders in any search for an alternative to the

poll tax. Fred Harrison,

Site value rating will surely

to the areas. It cannot be denied that Mr Scargill had substantial influence within the NUM, given the executive's predominantly left ideology and especially

Second, Mr Scargill is not the NUM leadership. He was, and is, one of a group of three ever, even then he did not conever, even then he did not constitute the NUM leadership by

> Thirdly, and in relation to the membership, the NUM has for long been addicted to delegate conferences and regular balloting. While this may be used to serve the leadership it can also constrain it.

For example, it is probable that the mass of the striking miners, and their wives, had no wish to overthrow anything much less the state. Their strike aims were succinctly summed-up in the slogan "Coal

not dole." They were defending their jobs and communities against the Coal Board's commitment to an early and exten-

sive closure policy. Why was that a threat to the state. Finally, assuming the NUM had "won" in 1985 (whatever that would have meant in terms of an agreement) would that have ushered in a government with revolutionary amhitions? If Mr Franklin believes that.... Brian Towers,

Industrial Relations Journal,

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YOU STILL L HAVEN'T PAID ME FOR THE LAST LOT!



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FINANCIAL TIMES

Monday March 19 1990



French Socialists riven by power struggle

By lan Davidson in Rennes

FRANCE'S ruling Socialist Party yesterday plunged into its worst-ever crisis, at the end of a four-day congress in Rennes, having failed to find a compromise between rival factions struggling for control of the party.

The danger of the continuing party conflict, a pre-cursor to the struggle over who will represent the Socialist Party in the presidential elections in five years' time, is that it could undermine the stability of the minority Socialist Government. For the first time in its history, the Socialist Party ended its congress without having produced even the facade of a ormal settlement between party bosses. Negotiations for the mastery of the party hier-archy reached deadlock yester-day, despite an all-night sitting on Saturday night, and will have to be resumed on Tues-

The crisis has been precipi-tated by the open challenge for the leadership of the party by Mr Laurent Fabius, the youth-ful speaker of the National Assembly, against the entrenched alliance between Mr Lionel Jospin and Mr Pierre Mauroy, the past and present first secretaries of the party. All three men claim to reure All three men claim to repre-sent the mainstream of the Socialist Party, in the tradition established by President Fran-çois Mitterrand, its effective founder and spiritual leader.
But the clash between them
constitutes the worst-ever split
within the majority Mitterran-









Rivals for power (left to right): Laurent Fabins, Speaker of the National Assembly; Pietre Mauroy, present Socialist Party secretary; Lionel Jospin, former Socialist Party secretary; Michel Rocard, Prime Minister

dist clan in the party, and symbolises the beginning of the post-Mitterrand era. No attempt has been made in Rennes to disguise the fact that this is a straight-forward that this is a straight-forward struggle for power. Ostensibly the form of a party congress is a contest between different pol-icy platforms but neither Mr Fabius nor the Mauroy-Jospin clan pretended that there were any significant policy differ-ences between them. On the contrary, the main issue at the all-night negotiations which finally broke down at dawn on Sunday was a sharing-out of top jobs in the party hierarchy. In terms of grass-roots sup-port mustered in the run-up to

the congress, the two rival Mit-terrandist clans are neck-and-neck with slightly less than 30 per cent each of the votes of party militants, Mr Michel Rocard, the Prime Minister, representing a social-demo-cratic clan on the right flank of the party, lags slightly behind with just under 25 per cent. Mr Jean-Pierre Chevenement, the Defence Minister who stands for what could be described as left-wing Gaulism, is well down with less than 9 per cent, while Mr Jean Poperen, Minister for Relations with the Parliament has under with the Parliament, has under 8 per cent.
If no compromise is reached this week between the rival

decide to go into internal oppo-sition to the party leadership, rather than submit to terms demanded by Mr Jospin and Mr Mauroy. This would be deeply embarrassing for the French Government because the Fabins clan includes eight ministers, including Mr Pierre Beregovoy, the Finance Ministers and Mr Pierre Jose the ter, and Mr Pierre Joxe, the Minister of the Interior. congress canvas was signifi-cantly greater than many experts had predicted and at the plenary session of the conthe plenary session of the con-gress he easily out-shone his rivals, as measured by audi-ence applause. But the congress deadlock suggests that his whiriwind campaign, with its ruthless determination to tonquer the party machine for his own presidential ambitions, and its sweeping promises of largesse and party posts, may have upset as many people as it enticed.

At all events, the party crisis now faces President Mitterrand with a serious dilemma of authority and leadership. In personal terms, there is little doubt that Mr Mitterrand's preferred dauphin would be Mr Fahius. But the split which has now erupted threatens to weaken both the party and the Government.

BP to shed hundreds of jobs at **London HQ**

by Steven Butter in London

EMPLOYEES at British Petroleum's London headquarters will each receive a latter today, followed by a personal interview, in which they will learn whether or not they still have a job with the company.

For more than 1,100 of them, amounting to about 45 percent of the corporate centre staff, the answer will be "no." Although attempts will be made to find jobs for several hundred elsewhere in the group, up to 80 per cent will be made redundant in the next

The job losses are part of a shake up of HP's system of cor-porate management initiated by Mr Robert Horton, who

by Mr Robert Horton, who became chairman last week. The programme, called Project 1990, is aimed at reducing bureaucracy to make the company more flexible and responsive in the years ahead.

Although the job losses and the reorganisation are concentrated at the head office, the programme also aims to streamline decision processes. programme also aims to streamline decision processes throughout the group by decentralising investment authority within BP's four main business streams: exploration and production, refining and marketing, chemicals, and nutrition.

The need for change was

The need for change was confirmed in a survey of HP employees conducted last year, which found widespread dissatisfaction with the compasatisfaction with the company's cumbersome management processes. Employees also said the company had no concern for present development. Sir Peter Walters, outgoing

chairman, is widely credited with strengthening BP by reducing business streams renucing susmess streams from eleven to four during his ten years in office. An elaborate system of controls also played a role in restoring EP to financial health.

However, Project 1990 has concluded that EP's complex

concremen that RF's complex management systems are inap-propriate to a business that has been simplified and have become a burden on the group. The job losses will be cun-terizated in office support and information systems. When RP moves this year to smaller offices nearby, these services will be provided for by con-tractors which may end up employing some of the current staff.

Brazil prepares for reaction to Collor's liquidity squeeze plan

BRAZIL'S dusiness community is bracing itself for a collapse in the black dollar and share prices today as markets react to the Recest liquidity squeeze in the country's history.

Throughout the weekend, perplaxed bankers and businessmen have been at their desks trying to assess the likely impact of of the audactious measures, which effectively froze some \$100tm in personal savings and corporate assets.

The package, tabled by President Fernando Collor on Friday, 24 hours after his inauguration, has provoked turnoff within the political and business establishment. Some con-Collor's measures as an act of treachery to his political allies. By contrast, the new presi-dent's left wing opponents have reluctantly admitted that both the liquidity squeeze and punitive new taxes on the rich are far more daring than any-

Under the 220-page plan, citi-zens and companies are forbid-den from withdrawing more

than 50,000 cruzeiros (\$1,500) from their accounts, or more than 20 per cent of the funds they have in "overnight" or other interest-bearing deposits.

Remaining funds will be held for 18 months, adjusted to compensate for inflation and will attract 6 per cent interest. Only then will they be released in 12 monthly parcels.

The measure aims to put a severa squeeze on liquidity, thereby temporarily eliminating the Government's debt service burden, giving value to the new cruzeiro currency and squeezing out inflation — now aqueezing out inflation — now at a rate of 85 per cent a month. It is part of a compre-hensive programme of changes intended to push Brazil in a

single legislative stroke from a centralised command economy towards a highly deregulated market model.

Other measures have included the closure of entire Ministries, the ending of all subsidies and incentives, tough new taxes on financial transac-tions and personal fortunes, price and wage controls, and a dramatic liberalisation of

All the measures must now be approved by Congress. But few doubt that they will be

adopted.
Early opinion polls have shown that 58 per cent of Brazilians approve the plan. Most political analysts believe, however, that its popularity rating will grow markedly as the poor majority of poor people find the rate of price rises filling and their nurchasing posses. and their purchasing power improving.

The impact of the measures will fall most on the rich and on the sales of expensive hus-

ury products.
Ms Zelia Cardoso de Mello,
the 37-year-old Economy Minister who drew up the plan, says
90 per cent of Brazilians will be unaffected by the blocking of

savings accounts.

Businesses will be allowed to pay their wages bills from frozen accounts, but must bid in central bank-organised auctions if they want to convert their cruzation novos, the nowredundant currency, into the

Some businessmen believe the impact of the measure will be to create a deep recession.

By Hugh Carnegy in Jerusalem and Peter Riddell in Washington

THE tortured process of forming a new Israeli Government got under way officially yesterday as US President George Bush came under congressional criticism for undermining the Middle Rast peace process and contributing to free Covernment's collapse. the Government's collapse. Mr Yitzhak Shamir, the

incumbent Prime Minister scuttled by an unprecedented no-confidence vote in the Knesset (parliament) last Thursday, gruffly denied any intention to resign and fended intention to resign and fended off a weekend challenge to his leadership to win the endorsement of MPs of his handling Likud Party.

He may face a stronger challenge later, but yesterday the Likud MPs recommended to President Chaim Herzog that hir Shamir be authorised as leader of the largest party to form a surveyment to succeed.

leader of the largest party to form a government to succeed the Likud-Labour coalition which collapsed last week over Likud's refusal to accept US proposals for laraeli-Palestin-ian peace talks. Labour MPS are hoping President Herzog will instead give Mr Shimon Peres, Labour leader, the first chance to try to form a government, despits

give Mr Shimon Peres, Labour leader, the first chance to try to form a government, despite having 39 seats in the 120 seat Knewet in Likud's 40. Labour is hanking on winning enough support from the 18 religious factions to add to small leftwing groups and command a majority in parliament to accept the US proposals.

However, Labour's initial confidence was dented yesterday by the decision of the Shas religious party to tell President Harzog its preference was for another broad coalition led by Likud. This emerged from a tumulituous row in Shas at the weekend. Rabbi Yitzhak Perest, one of its six MPs, quit the party in protest at Shas' crucial decision not to back by Shamir in the vote.

Congressional criticism of President Bush for the US role in the Government's collapse broadened at the weekend to include the Democratic leadership. Senator George Mitchell, the Democratic Majority leader, has accused Mr Bush of making a heavy handed hunder" in talking two weeks ago of US opposition to new Jewish settlements in East Jerusalem.

Shamir sees off party challege to leadership

Tough times for the lucky country

All-Ordinaries index

parlance as the boiling frog syndrome. If the frog cannot get out of the water, someone

get out of the water, someone had better turn down the heat.
The present high interest rate regime seems to be doing just that. Business investment last year was up 14 per cent this year it could be 3 per cent down. New housing was up 8 per cent last year and may be down 12 per cent this year.

down 12 per cent this year. Consumer expenditure, in

marked contrast to the UK, may be the most robust compo-nent of demand: up 5 per cent last year, and this year up by perhaps a further 2 per cent.

Desglie that the outlook for corporate earnings is scarcely cheerful. For the market as a

whole, earnings in the year to June 1989 were up by about M

the figure will be half that at best. In the year to June 1991, gloomier forecasts envisage no growth at all, either in earn-

ings or in dividends.

But the Australian equity market has some curious features of its own. Since mid-1988, domestic (but not foreign) investors have enjoyed the

STRENGTH :- WORLDWIDE : SPECIALISED ENGINEERING

Australia's business and financial community is approaching Saturday's national elections in a charac-teristic fit of manic depression. teristic fit of manic depression. No-one thinks much of Mr. Hawke's Labor Administration, but very few want the alternative. The apparent choice lies between a continued downward drift under Labor or a possible crunch, 1980 Thatcher style, under a Liberal (i.e. conservative) coalition. Few want style, under a laberal (i.e. con-servative) coalition. Few want the pain of the latter; of those who do, even fewer trust the competence of the Liberals to turn the pain to economic

The big economic issue underlying the election is labour productivity. Austra-lia's archaic union practices are blamed for its failure to establish an export-led manufacturing base. But the accord howen Labor and the union has delivered in one important respect: since 1985, average wages have fallen about 2 per cent a year in real terms. Australian receptors in teal terms. tralian recessions traditionally have among their causes a wages break-out. That is not a worry this time; but industry is detectably nervous that a Liberal win might change that,

Basic problems

Although productivity is a genuine problem, it is in one important sense a red herring. Australia's basic difficulty Earnings outlook The question, as for the UK and US, is whether this adds up to a hard or soft landing. One respectable view says that a soft landing is never likely in a country with Australia's small population and its traditional tendency never to do things by halves. There is also a widespread and cynical belief that interest rates will go up after the election, whichever party wins. Australia* pasic difficulty remains the same as very that of a Third World expect profile combined with a First World consumption pattern. The result is a one-way traffic in added value and an endemic deficit on the blance of payments. But with that deficit now running at nearly 6 per ments. But with that dentify now running at nearly 6 per cent of GNP, industrial strat-egy is a luxury. The instinct is rather to keep banging out tra-ditional exports of agricultural and mineral raw materials in an urgent attempt to close the after the election, whichever party wins.
But the reverse is perhaps more likely: that the currency, which is generally seen as about 10 per cent overvalued against the US dollar, will be allowed to drop instead. Indeed, Mr Paul Keating, Labor's Finance Minister, came wary close last week to promis-

The goal of exporting added value may be illusory at a deeper level. BHP, Australia's biggest miner, says bluntly that experience shows its best returns come from selling minerals straight out of the ground. Pacific Dunlop, a notable example of Australian success in international consumer goods, now sells three times as much in Australia as it produces there. It also has further duces there. It also has further plans for moving manufacture offshore.

The results of all this are

painfully evident. Australia's current account definit is run-ning at about A\$20bn, of which at least A\$11bn consists of overseas debt repayments. The affect is what is known in local

benefits of imputation tax on dividends. On paper, industrial stocks now yield 6 per cent. For pension funds, even after For pension funds, even aner 15 per cant income tax, the real net yield is around 8.4 per cent. This looks pretty good value in an economy with an underlying 7 per cent inflation rate and a prospect of declining returns on cash.

Cash flow

According to one school of thought, a further prop for the equity market comes in projec-tions of institutional cash flow. A striking feature of the Labor-union accord is that national wage bargaining allows for 3 percentage points of wage awards to go into superannuation funds. The figure to describe the first to descr superannuation runds. The fig-ure is due to rise to 4 per cent by May next year, with a union target of 9 per cent by the mid-1990s. The more bulliah Austra-lian brokers are thereby led to foxecast huge rises in cash flow through to the year 2000.

there are at least three spages here. First, only a small proportion of Australia's A\$110hn pension fund industry is covered by the 3 per cent superannuation system. Second, Australian institutions have a habit of switching large chunks of cash flow oversess. Third, and most important, Australian pension funds as a class are at present overlunded to the extent that few are receiving any cash flow at all. Since under the Australian system pensions are paid as lump sums on retirement, the cash outflow is correspondingly

For the domestic investor, none of this need matter too much. The historic market much. The historic market multiple of around 11.7 is com-fortably below the five-year average. The expected decline in the currency is a net benefit: the mining giant CRA, for example, reckous to make a net A\$22m profit for every 1 cant depreciation against the US delier.

But for the foreign investor, it is hard to see what offsets the long-term currency risk posed by the basic imbalances in the economy. This is espe-cially true if, as seems likely, the resource stocks have already been bid up by the locals in hopes of a currency fall which has yet to happen. Whoever wins Saturday's election, Australia should remain from the outsider's viewpoint as described by its more cynical residents: a wonderful place to live, but a terrible place to invest.

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South Korean shuffle signals a change in economic policy

By John Ridding in Secul

MR Roh Tae Woo, the South Korean President, announced a sweeping Cabinet reshuffle at the weekend, replacing 15 of the 27 ministers including most of the incumbent econom-

The reshuffle is the most extensive since President Roh took office in 1988 and follows the formation in January of a broad new ruling coalition between his Democratic Justice Party and two of the three opposition parties.

The most significant changes in the reshuffle concern the economic posts. Mr Cho Soon, the Deputy Prime Minister and the Minister of the Romania Planning Board, is replaced by Mr Lee Seung Yun, a former Finance Minister.

The change in the top cabi-The reshuffle is the most

The change in the top cali-net economic post is seen by analysts as indicating a shift towards more expansionary economic policies. Mr Cho Soon has come under criticism for the slowdown in the growth rate of the economy and sluggish export performance. Last year, GNP increased by 6.5 per cent, compared with 12 per cent in 1988. Exports rose by

cent in 1988. Exports rose by only 3 per cent.

Mr Chung Yong Euy, the new Finance Minister, and Mr Park Pil Soo, the new Minister for Trade and Industry, are also believed to favour a "growth first" policy instead of the emphasis on price stability and more equitable income distribution advocated by Mr Cho Soon and his team. A meeting Soon and his team. A meeting of the new economic officials will be held early this week to determine measures to stimu-late exports and investment.

Analysts said that the reshuffle might also result in the delay of controversial reforms aimed at reducing the

reforms aimed at reducing the concentration of land owner-ship and forcing the use of real names in financial transactions. Both measures are strongly opposed by the business community, and in particular the large conglomerates, or Chaebol, which dominate

the economy be economy.

Despite the extent of the reshuffle, several of the most important portfolios were retained. Mr Kang Young Hoon, the Prime Minister, Mr Choi Ho Joong, the Foreign Minister, and Mr Lee Sang Hoon, Defence Minister, all retain their nosts. retain their posts.

The reshuffle also brings

into the Government members of the two opposition parties which joined the DJP to form the Democratic Liberal Party.

Mr Lee Hee II, one of the closure that the Hee II, one of the Closure that the Hee II was presented to the Control of the Contro Mr Lee Hee II, one of the closest aides to Mr Kim Jong Pil, leader of the former New Democratic Republican Party, becomes Energy and Resources Minister, and Mr Kang Bo Seong, a member of the former Reunification Democratic Party, becomes Minister for Agriculture and Fisheries.

However, five of the new ministers, including the new Deputy Prime Minister, are members of the DJP, filmstrating its continued dominance in the Government.

rent elections in the main Soviet cities.

Mr Ligachev was careful not to criticise Mr Gorbachev openly. But he denounced "those who participate in antisocialist movements," and supported a call for "a political testing of party members."

The Soviet President faces a difficult challenge in dealing

difficult challenge in dealing with the independence move-ment in Lithuania and the ment in Lithuania and the other Baltic republics, without simply aggravating the conservative backlash in the party and the armed forces. decided overnight, in the heat

ence and sovereignty - but at the same time within the scope of co-operation with all repub-

trast to the apparent threat implied by sudden military manoeuvres in the republic, with a flurry of military trans-port aircraft taking off and landing at the military airport, according to reports from VII-nius. On Saturday, it was also reported that helicopters dropped leaflets over the city, urging residents to attend the anti-independence rally.

reporting some 100,000 demon-strators, and Sajudis, the indeit was no more than 10,000.

WORLD WEATHER

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Soviet Communist Party in disarray

Continued troe Part 1
most successfully in the current elections in the main
Soviet cities.

Mr Ligachev was careful not to criticise Mr Gorbachev to criticise Mr Gorbachev decided exercises to the lathus of "something to reports for the Lithus of the military of military of military of military of the military o

"We shall act responsibly with a view to realising the aspirations of the Lithuanian people from the viewpoint of strengthening their indpend-

His words were in sharp con-

It was impossible to gauge the turnout accurately, with the Ministry of the Interior) del)

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FINANCIAL TIMES COMPANIES & MARKETS

Monday March 19 1990



INSIDE **Banking on tradition**

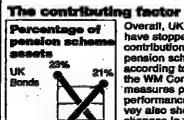


omises the German pat-tern of "universal banks", combining traditional banking with corporate finance, securities dealing, and stockbroking, its recent purchase of Morgan Grenfell pasmed an indi-cation that universal banking was on the advance. But, reports

David Lascelles, a recent study argues that universal banking is not well equipped to prevail in a genuinely international market.

it's a fight to the finish

Euroclear, the international bond market's largest clearing house, is in danger of finding itself isolated in a row involving its rival Cedel and the Association of International Bond Dealers. Not only are relations between the two clearers at an all-time low, but Euroclear could be left behind in the race to develop new settlement standards for the Euromarket. Page 23 .



Overall, UK companies have stopped paying contributions to their pension schemes,. according to a survey by the WM Company, which measures pension fund

performance. The survey also shows marked changes in the distribution of pension fundassets over the past decade — including a 1989 sharp drop in the share of assets held in UK bonds. Eric Short reports on the pension managers' holiday. Page 22

Quality street borrowing

International banks have burned their fingers in financing high reward but rieky transactions and are retreating to quality. As a result, high quality borrowers can easily raise funds on fine terms, even for major acquisitions. Two such deals emerged last week into a market starved for top-name borrowers including a £1.8bn (\$2.8bn) credit to finance a complex pubs-for-breweries swap between Grand Met-ropolitan and Elders IXL, reports Norma

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Perestroika comes to the London Stock Exchange

Long-overdue changes will sweep away the LSE's lumbering bureaucracy, reports Richard Waters

...and employment

its economy in crisis, its out-lying regions breaking away, its new leadership demanding

more executive power.

No, this is not the Soviet
Union, but London's International Stock Exchange. However, tional Stock exchange, however, the Exchange's fate can usefully be compared to that of a State whose historical relevance is vanishing, leaving a lumbering bureaucracy in the shell of a once-great organisation. Radical change is long overdue.

For the Exchange, the moment of truth has arrived. The market this week faces its own persa-

of truth has arrived. The market this week faces its own perestroika in the shape of a major reorganisation to breathe life back into the administrative structure, which has become clogged and unworkable. This is likely to be accompanied by two things: a transfer of power from the non-executives who populate many of the Exchange's committees to its executives, and further tees to its executives, and further redundancies to cut the central market's burgeoning cost base.

If that were not enough change for one week, the Exchange's governing council will meet today to discuss a seminal report on the domestic equity market, the largest by far of the Exchange's four markets, follow-ing an 18-month review by a com-mittee under Mr Nigel Elwes of Warburg Securities. At the end of this week the outlines of a new

this week, the outlines of a new



Stock Exchange should be clear within the decaying form of the There are two main pressures at work on the London Exchange. The first is its own cost struc-ture, which is widely regarded as

new markets like those for traded options and international equities. It also has a new electronic market place to support, rather than the old Stock Exchange floor, and it faces a continual need to develop its systems in the unsupportable at a time when the UK equity market is suffering a severe squeeze. The graphs above illustrate the steady growth in the Exchange's staff, which last year topped 3,000, having been a meagre 1,246 in 1985.

The Exchange has come a long way from 1985, having developed as need to develop its systems in the face of growing competition.

However, the stockmarket can no longer support these costs. The commissions paid by all ottockbrokers' customers last year overlapping, and too many dotted reporting lines between committees." He adds: "And with any luck, I will have a bit less to do."

1989. Securities firms complain that too much of their cash is

paying for the upkeep of the central market.

The second pressure at work on the Exchange has been the increase in competition for the services it offers, and the advent of a new, more commercially-minded chief executive. These developments have exposed developments have exposed severe flaws in the Exchange's organisational structure. There are estimated to be anything from 100 to 140 committees at the Exchange, populated largely by brokers in their spare time. The reporting lines between these committees, the council and the market's encutives have

got so entangled that no one seems very sure anymore how to

seems very sure anymore how to get things done.

Much of this is now to be swept away in a restructuring masterminded by Mr Peter Rawlina, who became chart executive last autumn. He has been working on ways of slashing the number and creating a coherent structure into which they could fit.

This is likely to go down well with the market. One experienced committee man, who sits



Attacking the committee structure raises questions about the grandest committee of them all, the Exchange's ruling council. Executives must put all their important decisions to council for the vote. They want more con-trol, while leaving it to the council to agree the overall direction they are taking. Another force driving this reor-

ganisation has been a demand from the market for greater control over the Exchange's them out. The batt operations. The Elwes report, for instance, calls for a new struc-

ture in which each of the four markets would control, and pay for, the services it receives from

the Exchange.

The restructuring has already started. Last week, two central divisions responsible for the Exchange's internal systems. employing a total of 90 people,

employing a total of 90 people, disappeared.

At the same time, the Exchange's settlements division — employing about 700 people— is being turned into an independent unit. The difficulty of achieving this illustrates the depth of the market's problems; according to Mr Rawlins, accounting systems in the past have not even made it possible to tell whether the settlement operation runs at a profit or loss.

These issues, however, mark

These issues, however, mark only the beginning of Mr Raw-lins' work. For instance, who lins' work. For instance, who should own the reorganised settlement operation? The Exchange has said before that it will yield control, allowing banks a big say. Recent noises from around the market — as well as the Elwes committee — suggest that the thinking may have reversed, and that this particular piece of the empire may not be given its independence. The banks are grumbling about what they fear is an attempt by the Exchange to keep them out. The battle to come could be the first big test for the new Stock Exchange.

Bush launches offensive to disarm the US Congress

By Anthony Harris in Washington

RESIDENT George Bush continues to hards his criticies (including this columnist) with contemptuous ease.

He gives boring interviews—he is perhaps the only President who has deliberately talked himself off the front page—and his ratings go up. He does nothing about drugs, and his ratings go up. He is cautious with the Russians, and his ratings go up. He admits his limitations—None of us in this room forecast what

admits his limitations — "None of us in this room forecast what has happened in the last few weeks, so why should we pretend to know what will happen next?"— and his ratings go un.

The Freeident numbles, he gestures, his sentences fall apart and his thoughts appear to be fractured; and it all reinforces the impression of a thoroughly the impression of a thoroughly can in a baffling world. The impression is that of W.S. Gil-bert's House of Lords, which you will remember -throughout the war/did nothing in particular/and did it very

The fact is quite different - a masterly display of patter, designed to disarm. And disarming is what he is

doing, in every sense. It is now

clear that his 1991 budget proposals, which appeared inept when they were amounced, and got a had Press, were, in fact, a good deal more cumning than the popular but deceptive programms he set for ward for 1990.

Last year he produced a gesture budget — warm words about education, the drug problem, the environment and his other rhetorical aims, but no funds to do anything. There was a doubletake, while the Congress and the public gave a demonstration of the much-discussed American numeracy problem; but after a round of applause, the sums were done, the Democrate cried "Foulf" and the President's programmes had rather a bad year grammes had rather a bad year on Capitol Hill. This year this strategy was

completely reversed. The Budget was announced just after the full extent of the Communist disaster became clear; but it contained a defence proposal which was little more than a continuation of the real-terms freeze forced on the White House in the previous year. The critics denounced this timid and sluggish response to historic events, the President mumbled about the need to make a proper assessment, and the

constituents would suffer any actual cuts; but as the President announced second thoughts, and offered to concede bigger cuts after all, he still looked a bit weak. It is only now, as the debate has been joined in good earnest, that it is becoming clearly how throughly Congress was dished in the course of this charade.

The heart is, in the Gramm-Budman-Hollings legislation, the familiar bill which compels the President and Congress to talk about a smaller

Congress to talk about a smaller deficit each succeeding year (though actually cutting the defi-cit is strictly optional). This was fully designed to put equal sure on the executive and the carefully de pressure on the encountry in legislators: if the two sides could not agree on a set of proposals which produced the required defi-cit, there would be a "sequester" — a set of automatic cuts bearing equally on the defence programme (supposedly treasured by the White House) and the discre-

Democrats in Congress quickly amounced their own more ambitious intentions.

It was not so easy for Congress to propose an actual programme, and State representatives were soon quarrelling about whose constituents would suffer any actual cuts; but as the President announced second thoughts, and offered to concede higger cuts after all, he still looked a bit weak. It is only now, as the debate has been joined in good earnest, that it is becoming clearly how throughly Congress was dished in the course of this

dence. That was done in January, but thas only been in the last week or two that Mr Darman and other White House aides have unmasked their bettery. They now threaten a sequester. They are willing, as they are now ready to explain, to agree sub-stantially bigger defence cuts across the bargaining table that would be imposed by a sequester. But if Congress wants to pursue

its own agenda...
This masterly display would be simply humiliating to Congress if that was all; but Mr Darman couples his threat with a face-saving concession, or at least an appar-ent concession: the Administration is now willing to discuss higher taxes. Congress must still take the initiative, which ensures that any new taxes will not be known to the public as Bush taxes. And they must pass a new test: he will recommend only taxes which encourage growth. This may appear to make the whole thing impossible, but there are such taxes: one which he chose as an example would be a gasoline tax to pay for better roads. Mr Darman is not a doctri-

roads. Mr Darman is not a doctrnaire man. He actually wants to
find ways to assist needed public
investment without encouraging
Congress's general spending propensities. He has, for example,
floated the idea of a separate budget for public capital formation.
He is aware of studies which
show that infrastructure investment. especially in transport ment, especially in transport, does more for productivity that actual plant and equipment. America is lucky that such formidable fiscal cunning is deployed, on the whole, in good causes. Meanwhile, the President has

added a political gloss to this transport question which Mrs Thatcher could study with profit. He has produced his own trans-port proposals: like his education proposals and his environment programme, they rely on the States or on private industry to find the money. Anything goes, so long as it is off-budget. So it would be the states which could readily impose Mr Darman's hypothetical gusoline tax.

hy is it that when Mr Bush saks local government to raise taxes he gets the applause and they get the blame, while when Mrs Thatcher tries what is besically the same fiscal manoeners, there are sati-government riot? It is partly that Mr Bush knows that public spending is popular, but public spending is popular, but taxes are not. -

The President therefore spon-sors spending, if it is in good causes. He invites the individual states, which are disce Britain's level exthesition almost extinuis run by his opponents, to start up what will become known as Bush programmes to teach the chil-dren, clean the water and get rid of drugs. But the odium of finding the money for these pro-grammes will be theirs alone. Mrs Thatcher, whose rhetorical thrift is so fierce that she seems to regard even the best expenditures as wasteful, cannot pull off this illusion.

Economics Notebook: Bank vs State in Italy

Lively debate with a bite

PUBLIC ROWS between government and central bank over the conduct of interest rate policies – politely known as "lively exchanges" – add a bit of colour and fibre to eco-nomic debate in the US and in countries where central banks enjoy a large measure of inde-pendence. Only in Italy could such a lively exchange be seen as an attack on the freedom of the Bank of Italy to play its part in the conduct of mone-

tary policy.
The story begins late last month when the Bank of spelled out in one-syllable words that the Government would miss its budget deficit target this year unless early remedial action was taken. Mr Paolo Cirino Pomicino, the Budget Minister who has one of the most active mouths in the Government, responded by hoping that henceforward "monetary policy will be more closely allied to budgetary policy than it has been."

After a lurid series of headlines which implied that the Government's tanks might soon be lined up outside the central bank building on Rome's Via Nazionale, Mr Guido Carli, the Treasury Min-ister, felt it necessary to issue a communique to the effect that the Treasury would defend the Bank of Italy's autonomy and was in complete agreement with prevailing

monetary policy.

This might have seemed like political overkill had it not been for the fact that there has been real anxiety at the very highest levels in the Bank of Italy about how its relations with the coalition headed by Giulio Andrectti may develop. The Via Nazionale has never counted the present Prime Minister among its greatest fans and remembers well that Mr Andreotti was a highly pas-sive leader during that awful

period in 1979 when Mr Paolo Baffi, the then Governor, was almost imprisoned on trumped-up charges, and the Central Bank's head of bank-ing supervision, Mr Mario Sar-cinelli, actually was.

If it had been any other min-ister but Mr Cirino Pomicino who had regretted the conduct of monetary policy, little more might have been heard. But Mr Pomicino is a close ally of the Prime Minister and is frequently credited with speaking his thoughts.

Thus it was that a lively

debate ensued in the columns of Corriere della Sera over whether further legislative underpinning was needed to guarantee the aforementioned autonomy. Yes, said Professor Mario Monte, the plain man's egg-head who is now Rector of Bocconi University, supported by Mr Giorgio La Malfa, the Republican Party leader. No, said Mr Carti, who, as a former Governor of the Bank, has a detailed knowledge of its A comparison of the relevant

statutes, said Mr Carli, reveals that the West German Bundeshank has broader powers to set the nation's discount rate while the Bank of Italy has equal powers to the Bundesbank in its open market operations. In Italy, the discount rate is adjusted by the Treasury, on a recommendation from the central bank. However, as Mr Carli emphasised, the Bundesbank's interest rate decisions are taken collegially by its directorate, but in the presence of a government minister who can sus-pend any decision for 14 days. Since all of the Bank of Italy's powers are centred on the person of its governor, Mr Carli implied that his central bank was less vulnerable to political direction than the Bundesbank might be, given

that "the make-up of collegial

by coalitions tends to repro-duce the political balance which sustains the coalitions."

But the fundamental prob-lem facing Mr Carli and one which explains Mr Cirino Pomicino's uncomprehending exasperation with the Bank of italy, is the problem of financ-ing the deficit and servicing the Italian Government's mountain of debt at a time of rising interest rates. Interest costs on the debt rose by 20 per cent last year and are now offi-cially estimated to be running about L6,500bn (\$5bn) above the L116-118,000bn previously

stad for 1990. These alone are enough to make a nonsense of the 1990 deficit objective of L133,000bn, which the Government's latest figures suggest could leap to Li47,000bn. In parallel, run-away health and pensions spending is seriously jeopardisof producing a budget surplus net of interest payments by 1992. This target was set by Mr Carli's predecessor, the amiable and extremely clever Mr Giuliano Amato who has just written a book* on his two

years at the Treasury. The Socialist politician obviously feels that the contribu-tion he made to curbing some spending mechanisms has not been suitably appreciated. But he admits to have been defeated by health and welfare which he says is an easy target at seminars and conferences but highly elusive when defended "by the many interests threatened by change.". His recipe is a thorough reform; it is to be hoped he lives long enough to see an Italian coalition with the power to roll back acquired welfare rights.

*Due anni al Tesoro. Giuliano Amato. Il Mulino L20,000.

THIS WEEK

THIS WEEK there is plenty to occupy financial markets. At the top of a long list of events and statistics is the annual budget statement to be pres-ented tomorrow in the UK by Chancellor John Major. While the financial markets

have long been expecting the Chancellor to frame a tight or neutral Budget, the UK gilts market in particular is waiting to hear what changes could be made to funding policy. Any changes would have important ences for the the size and shape of the government bond market, which has been shrinking while the Government carries a Budget surplus. There could be an unfavourable reaction to a Budget which increases taxation. This

kets do not want a Budget which further reduces the Conservative Government's standing in the opinion polls. On the same day as the Budget, UK money supply data are released. These are likely to show that the Treasury's target range for M0, the narrow money indicator, is still being missed. MMS International, the financial research company, records the median forecast for provisional February M0 to

rise 0.3 per cent on the month and M4 bank and building society lending to rise by £5.8bn. (\$9.2bn). The latest inflation news will figure in the retail prices index for February on Friday. Economists are predicting the headline inflation rate to start its

climb to nine per cent. After last week's drama over the vanishing invisible surplus on trade, the spotlight is on the trade deficit again this Thursday. The MMS has forecast that there will be a current account balance of payments deficit of £1.35bn and a visible trade deficit of £1.45bn.

Everywhere else - with the exception of the US - it will be a guleter week. The US trade balance for January, due tomorrow, will be carefully watched Last December's defi-John Wyles | cit was the smallest since 1984.



due to the doubling in aircraft exports when the Boeing strike ended. Economists expect some deterioration after the unusu ally good figure last time.

In West Germany this week, money supply data is likely to be above its target range, as inflows from the international canital markets start to expand Other notable events and

statistics, with forecasts from MMS in brackets, are as fol-Tomorrow: UK, 1990-1991 Budget, provisional money supply figures, February. US,

trade figures for January, consumer prices for February, real earnings for February. Japan money supply figures for February. West Germany, M3. Wednesday: Holiday in Japan. Australia, real gross domestic product for fourth

quarter (0.4 per cent). Thursday: UK, balance of payments current account and overseas trade figures for Feb. ruary, by-election in mid-Staf-fordshire. France, foreign trade

balance for February.
Friday: UK, building society
monthly figures for February, engineering sales and orders at current and constant prices January, retail prices index and tax and price index, February, cyclical indicators. France trade balance. US durable

FINANCIAL WIZARD SEEKS POSITION

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Berisford asks Tate to consider rescue bid

By Andrew Hill

TATE & LYLE, the sweeteners group, saild yesterday that Beriaford International had asked it to consider launching a rescue bid for the troubled sugar and property

cornoany.

Berisford, which owns British Sugar, made the approach before it announced the resignation of Mr Ephraim Margulies as chairman 10 days

In the same amouncement, Berisford said it was in preliminary talks about a possible takeover, stirring up specula-tion that one of a number of shareholders or former biddess might be interested. Tate said yesterday that it was the mystery company referred to in the Berisford statement.

However, the company stressed it was not "in talks"

Mercurius

lifts stake

By Nikki Talt

in Chloride

STEADY stake-building by Mercurius, the Swedish investment company, in

Chloride, the UK battery

group, appears to have quick-ened in recent days.

On Friday, Mercurius said that its interest stood at 9.54

per cent. Earlier in the week, it disclosed that it had breached the seven per cent

chloride said on Friday that there had still been no direct contact with Mercu-rius, which has also been

building up stakes in a num-ber of other UK companies

recently, "We did offer to meet them, but there was no

response," it said.
In Stockholm, Mr Peter
Gyllenhammer, who heads

fercurius Gruppen, the ship-

ping, offshore energy, com-merce and investment bank

ing group, declined to comment either on the inten-tions behind the Chloride

stake or the perceptible increase in Mercurius' UK

listed holdings. Chloride shares were unchanged on Friday at

at the moment, but was consid-ering how best to react to the Berisford request. Berisford, which has been hit by financial troubles, refused to

If it does go ahead with a bid, Tate is thought likely to seek some sort of agreed deal with Berisford, but there are a number of obstacles to such a

 The Monopolies and Mergers Commission, which blocked a bid from Tate three years ago, might still consider a takeover against the public interest, because Tate and British Sugar would control 35 per cent of sugar sales. Tate still holds that the MMC should take into account the effect on the European sugar market.

The level of Tata's borrowings, which are believed to

stand at around 120 per cent of shareholders' funds, may make it difficult to finance a take-

Tate may be dubious about the value of Beriaford's other operations, such as prop-erty and other non-food busi-

Earlier speculation had suggested that Tate would wait for another bidder to make a move on Berisford, but it is

move on Berlsford, but it is unlikely that the group would want to be part of a battle for control of the company.

The other potentially interested parties — such as Hillsdown Holdings, Ranks Hovis MacDougall, Associated British Foods and Mr Larry Goodman, the Irish agribusinessman — had already distanced themselves from the Berlsford state. selves from the Berisford state-ment on takeover talks.

Sketchley management under fire from Compass

COMPASS GROUP, the contract catering, healthcare and building services company, yesterday warned Sketchley shareholders that their pros-pects were bleak if the aning group remained inde-

Compass - potential white knight turned predator — mounted a hostile hid 10 days ago, less than a week after God-

ago, less than a week attar Goo-frey Davis, the car-dealing and laundry company, had with-drawn its hostile offer. The Compass offer document, published at the weekend, crit-icised Sketchley's management but did not add a cash or con-partitle share afternation to the vertible share alternative to the original all-share bid.

ir Gerry Robinson, Compass chief executive, said yesterday:
"We are offering a real opportunity for Sketchley shareholders
to share in the turnround at
Sketchley."

The Sketchley camp, how-ever, said its shareholders would be deterred from accepting by the possibility of a 65.5 per cent decrease in income. Mr Robinson admitted that many shareholders had kept an investment in Sketchley for its strong dividend yield, but pointed out that the group had been forced to forceast a fall in the 1900 dividend at the begin

the 1990 dividend at the begin-ning of the month.

Mr Malcolm Glenn, Sketch-Mr Malcolm Genn, Sketch-ley's chairman, resigned after Compass launched its bid and the group is trying to attract new hanagement in its attempt to ward off the Compass offer. Detailed talks are continuing with one team of company doo-

At Friday's closing price, the Compass bid was worth some 295m, or 262p a share compared with the Sketchley share price

Jove Investment earnings ahead

On earnings ahead from 7.07p to 7.85p in the year ended February 26 1990, Jove Investment Trust is lifting its dividend

from 6.9p to 7.85p.
The second interim payment

is 4.2p per share.
At year-end net asset per income share was shown at 61.91p (51.71p) while the value per capital share was 91.21p (94.88p).

Poser for Really Useful's advisers

ADVINERS to Really Useful Group, the stock market vehicle for Mr Andrew Lloyd Webber's most recent musicals, said yesterday they were puzzled by Mr Robert Holmes a Court's attempt to build a stake in the company, which the componer is trying to take

The Australian financies has built up a 4.1 per cent stake in Beally Useful, even though Mr Lloyd Webber's 277.4m offer has already won acceptances representing more than 80 per cant of the group's equity. That includes a 17 per cent stake committed last week by Mercury Asset. Management's Mercury Asset Management's

Mr Holmes à Court, who is believed to have acquired the shares through his privately-owned group, Heytesbury (UK), could not be contacted yesterday. However, one analyst speculated that the financier was trying to "be a nuisance" in the hope of negotiating with Mr Lloyd Webber about the group's copyright or theatre assets.

If he acquired more than 5 per cent he could prevent the composer morping up 100 per composer mopping up 100 per cent of the company compulso-

The last attempt to block plans to take a public company private ended in stale-

Mr Natha Ram Part still holds a 25 per cent stake in British Syphon Industries, a merchanting and manufacturing company which launched a management buy-out in 1988. Mr Purl objected to the buy-out price and British Syphon was unable to delist, but since them the two sides have been able to agree on an alternative solution.

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition:

MAW Convertible Inv. Treat (Ord. & Units of 5p of Equities Index ULS '96/2003) (Section: hypothesett Treats) Investment Trusts).

Wiltshire Brewery Co. (Beers, Wines & Spirits).

The benefits of taking a holiday

Eric Short looks at the changing patterns of pension schemes

Asset Mix (%)

1984

PENSION FUND INVESTMENTS pany that announces its results these days reports a massive hoost to its profits from the surplus achieved by its company pen-UK Equities sion scheme.
Indeed, employers overall **UK Bonds** Overseas Bonde

have ceased paying contribu-tions into their schemes, ing to WM Company, the largest investment performance measurement service company in the UK.
Its annual review of UK pen-

is simple review of the person scheme investment performance given last week, covering over three-quarters of schemes by size of assets, showed that new money (contribution income plus investment income) coming into schemes in 1980 was only 5 per cant of the asset values.

This level of new money

would be more than account for by employees' contributions and investment income. Hence in the schemes measured by WM, employers have ceased paying contributions. This situation in itself is not

suprising.

The annual reviews by WM throughout the 80s highlighted the buoyant investment conditions over the decade.

Last week, WM summarised the overall investment perfor-mance of pension funds in the 80s, culminating in record performance in 1989. Over the decade, the average

eturn by pension funds was 19.1 per cent a year - 2 return that increases to 20.4 per cent if property is excluded. But last year, the total average invest-ment return reached 30.3 per cent, or 31.6 per cent excluding well into the future.

1987

The majority of UK occupa-tional pension schemes still pay pensions to employees based on their salary or earn-

ings at or near retirement.
But these pension liabilities are funded during the employees' working lifetime. So those contributions need to be invested and achieve a return at least as high-as the rate of earnings growth. Indeed, the pension scheme actuaries, in their calculations.

ssume that investment will

UK Property Overseas Prope

earn around 2 per cent a year more than earnings growth. Over the 80s, the earnings index increased by 9.5 per cent a year on average, with the Betail Price Index showing an average rise of 6.9 per cent a

Thus pension fund invest-ment managers achieved a real return on their assets of 10 percentage points over earnings growth — comfortably ahead of the actuaries' assumptions. Hence, the resulting surpluses and the ability of companies to take contribution holidays. The record returns in 1969

dicate that employers can look forward to continuing those contribution holidays

The WM analysis highlights the tremendous changes that have taken place in pension fund investment during the

1988

At the beginning of the decade, pension schemes were just emerging from the highly inflationary era of the 70s, with investment managers barely able to achteve real tove

Investment patterns have changed out of all recognition over the decade. At the beginning of 1980, pension scheme investment was far more conservative with 23 per cent of assets in UK bonds and 22 per cent in UK property. UK equities accounted for 44 per cent of assets and overseas equities

October 1970.

By the end of the decade, U.S. equities accounted for 53 per cent of assets and overseas conttles another 21 per cent. UK bond investment had declined to only 6 per cent and UK property to 9 per cent. The change in investment strategy has been justified by the results.

only 6 per cent - exchange controls were only lifted in

The proportion in the US has declined steadily over the decade from 56 per cent to 31 Pension funds managers

invested overseas.

have always been underweight in Japanese equities, often for non-investment considerations a decision justified on investment grounds last year when the proportion fell to 25

The return on UK equities, despite the October 1987 crash, has averaged 23.2 per cent a

year over the decade, while

overseas equities have shown an overall return of 21.4 per

cent a year.

Against this, although UK bonds have averaged 15.3 per cent a year over the decade, returns have steadily declined

averaging 11.4 per cent a year over the past five years and only 7.4 per cent in 1989. Returns on UK property

investment, averaging 13.8 per cent a year over the decade,

improved steadily during the 80s, culminating in a 32.8 per cent return in 1988 and a

respectable 18.2 per cent last

Nevertheless, this has not stopped fund managers from ignoring or even disinvesting

in property in favour of equi-ties primarily to boost perfor-mance. The decade has not

only seen investment manag-ers invest heavily in overseas

equities - over 80 per cent of

new money last year was

It has also seen managers move into Europe over the past three years, and this now accounts for 35 per cent of

their overseas equity portfo-

British Dredging rises to £4m

PROFITS OF British Dredging rose from £3.08m to £4m pretax in the year to December 31.

tax in the year to December SI.
1989, on turnover of £33.58m compared with £31.63m.

Margins, pre-tax to sales, improved from 9.7 per cent to 11.29 per cent.

In addition, British Dredging amounced a 50:50 joint venture with RMC Group, whereby British Dredging Aggregates will pay British Dredging a £2.3m dividend and RMC will acquire a shareholding in HDA for a complementum of £3.6m.

for a consideration of fain.

The consideration will be

satisfied by the issue of loan

satisfied by the issue of loan notes; and BDA will acquire RMC Group's sea-dredged aggregates business in the Bristol Channel.

RMC is to dispose of 2.65m shares in British Dredging, reducing its holding from 24.08 per cent to 8.9 per cent. These shares will be available to British Dredging shareholders in ish Dredging shareholders in an open offer on the basis of one share at 135p for every five

Any shares not acquired under the open offer will be sold in the market for 1850 or

more, failing which they will be repurchased by British Dredging at 130p.
British Dredging shares were unchanged on Friday at

At April I 1989, RMC Group had a 24.42 per cent holding in the company, Newarthill 22.26 per cent and M&G Investment Management 15.32 per cent.

Earnings last year rose from 12.9p to 14.53p, A final dividend of 4.4p makes a total for 1989 of 7n (5n). Not accept value results. share at the year-end was 168p (20p).

BOARD MEETINGS

Air London Ind	ADY. 3
Paliting Inchinging	Apr., 11
Parale	
Brown & Jackson	Mer. 26
Druck Hidge.	Mar. S
EW Fact Arrefered DN & Class	Mar. 23
Conton Engineering	Mar. 22
Grampian TV	Mar. 25
Great Southern	Apr., 19
Martin (Albert)	Apr. 10
Redus	Mer. 26
Senior Engineering	Mar. 28
Regar & Friedlinder	Mar. 27
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This announcement appears as a matter of record only.

U.S. \$150,000,000 **Euro-Commercial Paper Programme**

Deelers

Barclays de Zoete Wedd Limited Svenska International pic **Swiss Bank Corporation**

Issuing and Paying Agent Manufacturers Hanover Trust Company

> Arranger Svenska International pic

Helaba Finance B.V..... Amsterdam

US\$100,000,000 **Guaranteed Floating Rate Notes** Due 1996

(Personnt to the Terms and Conditions, Hessische Landathank-Girosentrale-han been substituted by Heinba Flasmo B.V. as principal debtor of the Notes as per 1st December 1988)

(Coupon No. 8)

In accordance with Note conditions, notice is bereby given that for the interest period 19th March, 1990 to 19th September, 1990 (184 days), an interest rate of 8¹/1e per cent, per amum, will apply.

Amount per coupon (No. 8) = US\$2,220.14 Payable on the 19th September, 1990 Reference/Agent Bank



UCB

THE LONG-TERM CREDIT BANK OF JAPAN, LTD. London Branch

OF NICHIEI CO., LTD. (THE "WARRANTS A")

NICHIEI CO., LTD. U.S. 500,000,000 2-34 PER CENT.
NOTES DUE 1913 WITH WARRANTS
TO SUBSCRIBE FOR SHARES OF COMMON STOCK OF NICHIEI CO., LTD. (THE "WARRANTS B")

NOTICE TO THE HOLDERS OF EACH OF

U.S. 100,000,000 5 FEE CENT.
GUARANTEED NOTES DUE 1993 WITH WARRANTS
TO SUBSCRIBE FOR SHARES OF COMMON STOCK

NICHUEI CO., LTD.

Pursuant to Cisuse 4(A)(B) of each of the Instrument dated 9th February, 1988 (the Instrument A? relating to the Warrants A and the Instrument dated 21st December, 1989 (the Instrument B?) relating to the Warrants B, notice is hereby given as follows:

At the meeting of the Board of Circutors of Nichiel Co., Ltd. (the "Company") held on 12th March, 1990, it was determined that the Company issue new shares of its common stock ("Shares") to its shareholders of record as of 31at March, 1990 by way of a free distribution of Shares at a ratio of 0.1 Shares for each Share held.

Consequently, the Subscription Prices of the Werrants A and the Werrants B will be adjusted, effective as of 1st April, 1990 (Tokyo time), in the manner as set forth below pursuant to Clause 3(1) of each of the Instrument A and the Instrument B, respectively.

Subscription Price before adjustment: Yen 1,210 Subscription Price after adjustment: : Yen 1,210

2. Western S.

ntment : Yen 2,102 ment : Yen 1,910,96 NICHEE CO., LTD.

> By: The Bank of Yokohama, Ltd., London Branch se Principal Paying Appeal

Danie 19 March, 1980

March 19th, 1990 COMMUNAUTÉ DE MONTRÉAL Communauté urbaine de Montréal (Montreal Urban Community)

U.S. \$150,000,000 Floating Rates Notes due 1991

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the six months from March 20th, 1990 to September 20th, 1990 the Notes will bear Interest at the rate of \$% per annum. The interest payable on the relevant interest Payment Date, September 20th, 1990 against Coupon No.13 will be U.S. \$447.22 per U.S. \$10,000 Nominal. Agent Bank



ROYAL BANK OF CANADA EUROPE LIMITED

ECU20,000,000 Christiania Bank

Floating Rate Notes due 1994 Notice is hereby given that in respect of the interest Period from March 19, 1990 to June 19, 1990 the Notes will carry an Interest Rate of 10.4125% per annum. The coupon amount payable on June 19, 1990 will be ECU26,609.72 per ECU1,000,000 Note.

March 19, 1990

ECU85,000,000 Skoobank Floating Rate Notes due 1992

Notice is hereby given that in respect of the interest Period from March 19, 1990 to June 19, 1990 the Notes will carry an Interest Rate of 10.4925% per annum. The coupon amount payable on June 19, 1990 will be ECU25,814.17 per ECU1,000,000 Note.

lerch 19, 1990



Credit Commercial de France

U.S. \$250,000,000

Floating Rate Notes due 1997

For the interest period 29th September, 1989 to 30th March, 1990 the amount payable per U.S. \$10,000 Nore will be U.S. \$424.78. The interest payment date will be 30th March, 1990. Listed on the Luxembourg Stock Exchange

7 Company, London

Agent Bank

This week's topics:

The U.S. Rush To Invest In Europe Can Thatcher Survive The Poll Tax?

The Million-Dallar Tennis Baby is Jack Smith The Next GM Boss?

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Christiania Bank og Kreditkasse (Incorporated in the Kingdom of Norway with limited liability)

U.S.\$100,000,000 U.S.\$100,000,000

Bull Floating Rate Notes Due 1997

Notice is hereby given that the Rate of Interest has been fixed at 8.2637% and that the interest payable on the relevant Interest Payment Date September 19, 1990 against Coupon No. 9 in respect of U.S.\$10,000 nominal of the Notes will be U.S.\$422.37 and in respect of U.S.\$250,000 nominal of the notes will be U.S.\$10,559.17.

March 19, 1990, London By: Clithank, N.A. (CSSI Dept.), Agent Bank CITIBANCO

£200,000,000 MFC Finance No.1 PLC Mortgage Backed Floating Rate Notes Due October 2023

in accordance with the Terms and Conditions of the Notes,

notice is hereby given that the new interest rates and periods in respect of the subject Notes are as follows:merc Code

Flats * Paymont Dode

66A 1 Merch 104 April 10

66B 3 Merch 105 April 10

18.405 Serios E 3 Pherch to 12 April 10

66 7 Merch 106 April 10

18.605 Serios E 3 Pherch 1012 April 10 By: Citibank, re. March 19, 1990 CITIBANG

ranteed Souds Dec 1991. The Easte of Exchange, as defined in Con-ition 8(b) of the above described Roods, applicable to the March 15, 1990 payment a interest is U.S. 30,5896 for each N.Z.

MORCAN CHARANTY THUST COMPANY

	13		FIN	ANCIA	. TIME	S STO	K IND	ICES			
I		16ar 16	Mar 15	Mar 14	13 N	Mar 12	Mar 9	1989 High	٠.,	Since Con	apilation
l	Government Secs	77.60	77.02	77.16	76.68	76.88	76.98	89.29	76.6B	High 127.4	49.18
I	Fixed Interest		. 86:47	. 66.79	86.60	87.16	87.18	99.59	86,47	105.4	50.53
l	Ordinary	1789.4		1758.6	1755.6	1751,8	1.763.8	2008.6	1447.8	2008.6	49.4
1	Gold Miles	285.6 1123.79	285.5 1111.78	281.2 1107.98	283.3 1106.27	284,0	275.8	378.5	154.7	734.7	43.5
ı	T-SE 100	2263.9		2226.1	2224.5	2222.8	1110.85	1226.83	921.22	1238,57	61.92
L	1100 200	2200.7	· EE34.7	2220.1	2224.3	ELLE S	2234.3	2463.7	1782.8	2463.7	986.9

INTERNATIONAL CAPITAL MARKETS

SYNDICATED LENDING

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Investors return to

GUN-SHY lenders, their fingers badly burnt by lending to a wide variety of high-margin shaky credits, now see salvation in old-fashioned low mar-

gin, big-name business. Bankers agree that top quality borrowers can easily raise funds on time terms, even for significant acquisitions. Late last week, two such deals emerged into a market starved

for top-name borrowers.

A seven-year £1.8bn facility
is being establish to fund a complex. pubs-for-breweries swap between Grand Metropolitan and Elders IXI. The borrower, which will be the owner of the Tennants pubs, is a special purpose vehicle with limited recourse to GrandMet. The loan, which will be fully drawn before July 1, carries a % per cent margin that reduces with principal repayments reflecting the sale of certain pubs. Underwriters are Citibank, National Westminster, Bank of Tokyo, Barclays, Lloyds Bank, Mid-land Bank, Swiss Bank Corp and S.G. Warburg. A presenta-tion will be made this week in advance of syndication. Also, Rhone-Poulenc, the French state-owned pharma-ceutical firm, has lined up a \$1.6bn credit line to finance its \$3bn acquisition of US-based Rorer. Joint arrangers are Société Générale, Barclays Syndications, Chase Invest-ment Bank and Royal Bank of Canada. Details have not yet been disclosed but the loan is

market sources said the mar-EUROMARKET

expected to consist of two tranches; one, a medium-term amortising revolving credit

and the other a short-term credit line. The entire financ-

ing will be semior debt and

TURNOVER(\$ms) Conv PRN 0.0 1222 30.0 919.0 36.1 330.1 0.0 484.7 163891 6885 4,4904 6,479.9 14,580.6 787.6 4,490.3 6,469.1 21,645.1 924.9 1,276.5 36,276.3 21,035.9 1,033 5,027.5 4,054.9 Wast to March 15, 1990

tranche may be no more than

17% basis points.

The loan will be guaranteed by Rhone-Poulenc and, like

last year's financing for Pechi-ney's acquisition of American Can, the documentation is expected to list privatisation as an event of default, Although Rhône-Poulenc is state-con-

trolled, the loan will carry a 100 per cent risk weighting for regulatory purposes.
Although the high-margin takeover mega-deals in loan markets of previous years have dissipated in the fall-out from Drexel Burnham Lambert's demise, bankers involved in mezzanine finance report a steady stream of smaller, sensi-bly priced deals in the private placement market. "A lot of the transactions we're seeing are small MBOs, we're is just about what we want," said Mr Christopher Howe, assistant director of Kleinwort Benson's 283m European Mezzanine Fund. Also in the market is Invest

Also in the market is Invest-corp, the Arab-owned invest-ment bank and buy-out special-ist, which is seeking a \$250m three-year multiple option facility. Evidence of banks' desire to lend to high-quality buyers is seen in the 13 under-writers named for the facility. The markin is 2214 basis points. The margin is 22 % basis points over Libor and it carries a facility fee of 15 basis points.

Meanwhile, Italian borrow ars remain active. Banco di Napoli is running the books on a L400bn 10-year term loan for the agricultural lending sections of four internationally-known Italian banks. The loan, fractionally more finely priced than a similar transaction last year, has an avarage life of 5% years, and an interest margin for the first four years to 17% hasis points, rising to 18% basis points for the remainder. Fintero, the Italian subsidiary of Tampella, the Finnish forest products group, has completed a Leobn five-year amortising term loan. The original financing, arranged by Bancodi Roma, was increased from the original L40bn due to heavy oversubscription. The

Norma Cohen

margin is 30 basis points with fees of 10 basis points for a L10bn participation.

A MARKET STORY OF THE PARK

Application of the second

INTERNATIONAL BONDS

Euroclear's settlement row with Cedel rumbles on

big-name borrowers

EUROCEEAR, the international bond market's largest clear and cedel.

Simply, rule 221 requires the settlement of all grey market involving its rival Cedel and tranche may be no more than wide variety of high-margin.

EUROCEEAR, the international bond market's largest clear and Cedel.

Simply, rule 221 requires the settlement of all grey market involving its rival Cedel and the Association of International Bond Dealers. Not only date of the issue. The rule has tional Bond Dealers. Not only are relations between the two clearers at an all-time low, but Euroclear could be left behind in the race to develop new settlement standards for the Euro-

> A string of recent problems can be cited as evidence of the breakdown in co-operation between Euroclear and Cedel: • When Euroclear set up its innovative clearing arrange-ment for Nestle's registered shares in mid-February, it ini-tially excluded Cedel, and then closed the bidge link allowing settlement between the two clearers when Cedel introduced its own parallel service. That link was only reopened last week after strong pressure from leading banks. • Since December, Cedel has

market.

been clearing Japanese equi-ties backed by letters of guar-antee from Industrial Bank of ties backed by letters of guarantee from industrial Bank of Japan. Euroclear will not accept Cedel equities across the bridge, saying there are operational and legal factors to be considered.

The AIBD's rule 221 has been the main area of struggle and provides the key to the desired.

date of the issue. The rule has

little direct impact on Euro-bond houses, but it has thrown open the question of whether the two clearing houses are doing wider business on an even footing. To the AIBD's embarrass-

ment, rule 221 has proved impossible to implement, mainly because of stalled nego-tistions centred on the differ-ent processing times used by the clearers. For more than a year, the AIBD's market prac-tices committee has been work-ing with the clearers to try to solve the problem. Now, tripartite negotiations have effec-tively broken down.

The last committee meeting in February was described by participants as stormy and resulted in the breaking of the desdlock. The committee voted

The solution to rule 221 recommended by the committee will be put before the AIBD board tomorrow. If it is accepted, Euroclear will find itself out in the cold.

Mr Langton said the pro-

por Langton said the pro-posal did not offer a permanent solution to rule 221. "However, in the short term it will solve around 85 per cent of the prob-lem and this was agreed by both clearers," he said.

What ameers to have surger

What appears to have swung the verdict in Cedel's favour was a longer-term commitment agreed by its representatives to introduce a live, on-line clearing system by the beginning of

Such a system, offering delivery versus payment and same-day funds, would effectively dispense with the bridge mechanism entirely because there would be live information flows between the clearers. In addition, there would be increased liquidity, been vieled. increased liquidity, less risk and a subsequent reduction in costs for users.

"The AIBD felt this was an important statement, in full sympathy with the recommendations for improving interna-

tional settlement made by the Group of Thirty," said Mr Langton. He said the AIBD would have liked a similar undertaking from Euroclear, but that this was not forthcom-

Committee members were adamant that their recommendation to the AIBD board was made with the interests of the marketplace as a whole in

mind. Mr Andreas Lussy, Cedel's chief executive, said on Friday it was important for the health and profitability of the market that the rule 221 problem be solved. We are confident that working together with Euro-clear and the AIBD we can find a solution in a short time that will benefit the whole market,"

Cedel's short-term proposal involves using a form of subsidy to compensate users which would otherwise lose money because of the way transactions passing between it and Euroclear are processed across the so-called bridge.
This in effect reverses the

normal penalities caused by the bridge, because it requires Euroclear to give up some of the competitive advantage it has enjoyed since the bridge contract was signed in 1980. In normal secondary market trading, the bridge problem

a Cedel client selling bonds to a Euroclear client might want the proceeds to pay for the purchase of other bonds within the Cedel system. Its purchase is dependent on the delivery of

cash across the bridge. However, because Euroclear processes its trades overnight, the cash will not be available for delivery until the day after the original transaction. The Cedel client loses a day's inter-est on its cash and has to consider borrowing funds for fur-

ther trudes. Rule 221 turned this on its head, albeit for a tiny proportion of the business done between the two clearers. Euroclear estimates that primary market transactions affected by the bridge is less than I per cent of its daily turnover.

Because of its overnight processing, it cannot make new issue stock available for fur-ther transactions on the signing date. Euroclear has been compensating its own clients by back-valuing securities, but it has been unable to avoid cer-tain transactions where its cli-It proposed its own solutions to the rule 221 problem, one involving enhanced back-valu-ation. It rejected an earlier pro-

posal from Cedel for the

files between the two clearers saying such measures would increase systemic risk, bring limited benefits to Euroclear users and involve a potential shift of subsidy from Cedel to Euroclear.

It also suggested two further solutions to the problems created by rule 221. The AIBD has since forwarded to the International Primary Markets Association an idea that the timing of Eurobond closing procedures be changed to include a so-called pre-closing period which would allow primary trades to settle on closing date.

The AIBD insists that Euroclear's ideas were given an ample hearing and says it is unhappy that it did not prove possible to reach agreement.

The issues raised by the market practices committee will be fully aired at the Amsterdam conference in May when the AIBD holds its annual general meeting. The agenda threatens to be similar to the controversial Dallas meeting in 1988, when the Trax electronic trade-matching system was nearly sabotaged by opposition from Euroclear. This time, rule 221 will dominate discussion.

Andrew Freeman

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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Japanese Yen 50,000,000,000 63/4% Yen Bonds due March 15, 2000 (Fourteenth Issue)

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March, 1990

US MONEY AND CREDIT

Little scope for Fed to ease credit

THE ECONOMIC outlook for quarter of somewhere above 2 the US appears to be as finely balanced as ever, offering little hope of a defined trend in the Treasury bond market on domestic fundamentals. Early in the week, Trea-

suries slumped in reaction to a strong reported increase in the non-farm payroll in February announced the previous Friday. Coupled with a jump in retail sales in February, the market became convinced that there was absolutely no scope for the US Federal Reserve to loosen its grip on credit.

Providing some fuel for this negative view on interest rates was the rather odd behaviour of the Fed in its open market operations and a drift upwards in the Federal funds rate.

As the week progressed however, the mood appeared to change. The Fed funds rate settled solidly at 8% per cent and everyone explained away the fact that the Fed did very little to add what was regarded as necessary liquidity to the banking system by pointing to intervention against the dollar in the foreign exchange market, which adds dollars to the

on Friday, the Treasury market railied strongly in response to a weaker than expected rise in industrial production last month and a rise of "only" 0.4 per cent in the producer prices index in Febru-

Disagreement and disclaimers accompanied each piece of economic data released last week. Whichever way the bond market reacted — which appeared to be mostly to each beadline figure rather than the deeper analysis of the data -there were those who said it was wrong. Some said the employment figures exaggerated the strength of the job market and reflected warm

Later in the week, there was one camp which felt the rally on the industrial production fixures was overdone because manufacturing represents only around 25 per cent of the econ-omy and because inflation still

remains stubbornly high. The bond market is not only st by these differing views of the economy but also by continuing rumbles of discord between the Fed and the

After the employment figtires, economists started to pre-dict a growth rate in the first per cent and various Fed officials hinted this kind of rate would be considered inflation-

Ms Maria Florini Ramirez, formerly at Drexel Burnham Lambert, and now president of Maria Ramirez Capital Consultants, noted: "It is curlous that so many Fed officials are singing the same tune at roughly the same time.

"It would appear that this is intentional and directed

The economy could be constrained without higher interest rates and the Fed may err to lower rates to ease the credit crunch.

towards the Administration as much as it is to prepare the markets for the possibility of a tightening down the road."

The Fed may simply be asserting its independence from an Administration which has made it abundantly clear that it wants lower interest rates. In speeches to the National Newspaper Associa-tion and the National Manufac-turers' Association, President George Bush said variously that "there is a lot more we have to do to keep the expansion going: the economy is not as robust as we would like to see it," and "we need to keep interest rates down."

The answer to the interest rates conundrum probably lies elsewhere. Much has been said recently about the interdependence of US monetary policy making with the direction of interest rates in West Germany

With speculation still raging that the Bank of Japan will be forced to raise the discount disappointed last we some say it will happen this week - the US bond market will continue to keep its sights trained on overseas stock and bond markets and, crucially, the foreign exchanges.

There is, however, another side to the story. The Fed's Tan Book of regional economic

reports released last week prompted hardly a murmur in US securities markets: it confirmed that the economy continues to grow slowly and didn't say much about inflation, none of which was perticularly surprising.

But shot right through the report were comments about a squeeze on credit conditions. There is a natural caution

among lenders who have watched their real estate loan portfolios go bad and the number of corporate defaults many of them companies funded by high yield bonds. The Tan Book pointed to

weakness in the construction industry and the current caution about extending credit could start to undermine this sector even more severely. There is already anecdotal evidence that department stores are beginning to have

problems in getting credit. Because of the damage to lending institutions of the lending institutions of the weakness of their outstanding loans, there is now also a regulatory effect which is further constraining the availability of hinds. Regulators are in banks—such as those in New England—demanding that even slightly non-performing loans be declared, that loan loss ratios be improved and loss ratios be improved and that lending be cut back. The psychology has defi-nitely changed. Mr David Hale, chief economist with Kemper

Financial Services in Chicago, said: "When we look back at 1990, we will see a change from a financial environment when

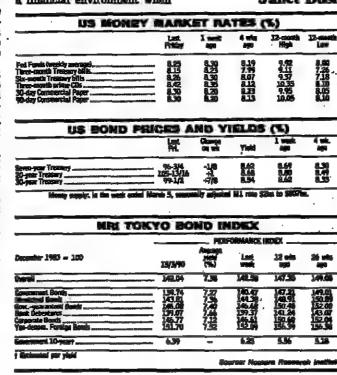
credit was freely available at high interest rates to a severe rationing of low price money." The implication is that the

emerging tightness of credit should, on the margin, mean lower interest rates. The economic effect is that the economy could be constrained with out the use of higher interest rates and the Fed may even arr towards lower rates to ease the impact of the credit crunch. Mr Robert Brusca, chief economist at Nikko Securities

in New York, said the Fed would not want to ease in order to calm a credit crisis because it still has to be concerned about inflation. It still has to ensure the health of some financial institutions which are sitting on disastrous loans. A large insurer or bank is a completely different prospect to Drexel Burnham Lam-

Mr Hale believes that the construction sector, which has been boosted considerably so far this year by abnormally mild weather, could markedly retrench in the second quarter which could allow a moderate bond rally. The extent of that rally will depend on what is happening in Germany and

Janet Bush



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NEW ISSUE

16th March, 1990



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Strong case for Budget overfunding

IN THE run-up to tomorrow's Budget statement, the gilt-edged market ended last week on a firmer note. There was little that was fundamen-

tal to this however. When long-term rates passed through 12 per cent, as they did on at least two occasions last week, some buying and switching longer occurred. As the week drew to a close many primary dealers moved their exposure to the market to neu-tral which, given the selling of recent weeks, meant they

bought stock.

The future course of trading depends, therefore, on what Mr John Major, the UK Chancel-lor, does in his Budget. The economic and political back-ground is well-known.

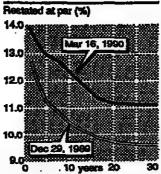
The economy has not responded as quickly to the monetary tightening as the Treasury would have liked. Retail spending growth is robust, monetary growth defies the target set for it, inflation is rising and remains Britain's foremost problem. The smaller-than-expected fall in unemployment last

month may prove to have been the turning point in the labour market, but it is quite likely that if this is the case it has happened too late to have a depressive effect on wage determination in the autumn. The growth in pay settle-ments seems set to continue, even if a fall-off in overtime

worked disguises the upwards effect on average earnings. Not only is the current pol-

cy failing to deliver the beng

UK gilts yields



Mr Major thought he would get for his buck; but the Government is also in the dog-house. Its popularity has been severely (and possibly termi-nally) weakened by the com-bined effects of the community charge, high interest rates, inflation and speculation about Mrs Thatcher's leadership.

The Treasury has leaked the theme of this year's Budget. It is apparently going to be "caution and prudence."

The Treasury has done this for one of two reasons: it has either broken a habit of a life-time and embraced giasnost, or it is attempting to manipulate expectations, possibly because the Budget will be boring or with a view to surprising the electorate and/or markets.
. So what does Mr. Major do? The consensus is, not much. The Chancellor has already shown he has no stomach for a

rise in interest rates either in

response to a more robust than expected economy or to sterling's misfortunes on the foreign exchanges. What of tighter fiscal policy?

Like a rise in interest rates. se in taxes (explicit or implicit) does not have a lot of adherents, least of all in the Tory party. The magnitudes of fiscal tightening advocated by some in the market of £1hn to £2bn would be, in economic

terms, an irrelevancy.
Given Mr Major's support of
Mr Nigel Lawson's £4bn tax
cut in 1988 he will have a hard time justifying a tax rise. Others have suggested that the rabbit Mr Major will pull out of his battered Budget box is early membership of the

exchange rate mechanism of the European Monetary Sys-This would be a high-risk strategy. No one knows how the foreign exchange market would react to that; it could sell the pound just as easily as

buy it and where would that leave inflation? Putting together all the elements and what is known about official concerns it is dif-ficult not to conclude that Mr

Major will embrace some form of overfunding. His predecessor took half a step in that direction in his speech to Mansion House last

October, Mr Major may well complete it. The case for overfunding is

that it may add steel to the Government's monetary policy by tightening monetary condi-tions along the yield curve. (mambiguous.

Furthermore, it might help make sterling an attractive investment and it might help reduce the rate of lending

growth. Some who have advocated a return to overfunding have done so in the mistaken belief that it will assist the authori-ties in mopping up excess liquidity in the money market caused by the buyback of gilts. Excessive money market liquidity has more to do with local authority borrowing via the Public Works Loans Board.

Last month's changes by the Treasury to access to the PWLB will cure that problem. The Treasury's changes to PWLB finance effectively put policy back to its pre-1982 footing. It changed policy at that time because it embraced over-

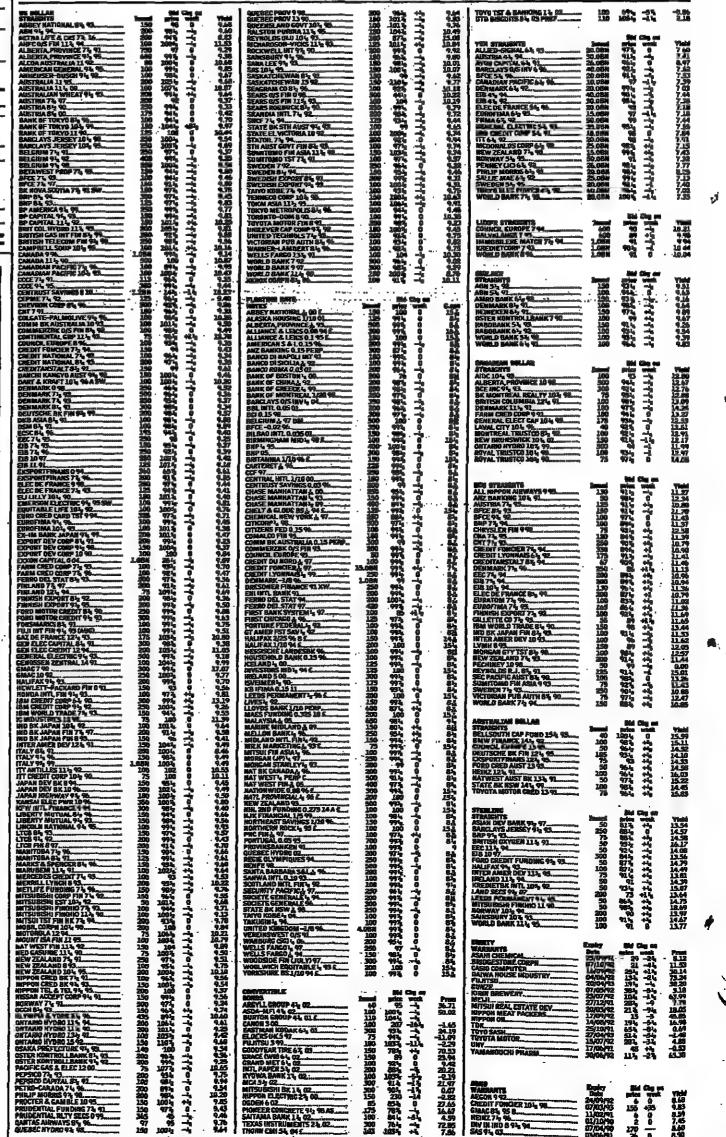
funding.
The Treasury wanted the local authorities to borrow from the central Government so they would run up cash balances in the banking system, thereby alleviating some of the problems of money market shortage created by overfund-

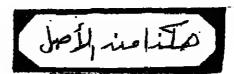
It would be odd, therefore, if Mr Major embraces overfunding on the scale seen in the early 1980s.

He may, however, decide that foreign exchange interven-tion is best left unsterilised and that further discretionary overfunding suits his purpose until signs that the economy has turned the corner are

Simon Holberton

FT/AIBD INTERNATIONAL BOND SERVICE





INTERNATIONAL CAPITAL MARKETS AND COMPANIES

By. John Burton in Stockholm

AY MARCH 19 14

British Continues

Gr (12 %)

Simon Holes

GAMBRO, the Swedish manufacturer of dialysis equipment, has made an agreed \$253m bid for Cobe Laboratories, a US medical equipment manufacturer.

The Cobe board recom-mended that shareholders accept Gambro's cash tender offer of \$37 per share. Cobe is listed on the Nasdaq exchange. Gambro said the purchase would expand its operations into the new business areas of heart surgery and blood com-ponents technology, from its present activity in renal care

as well as intensive care and "The acquisition will also add critical mass and provide an opportunity to strengthen Gambro's business in the US, which has incurred significant

which has incurred signmeant losses during the past few years," said Mr Berthold Lindqvist, mesident.

Gambro's US subsidiary, which had turnover of \$30m last year, has suffered from weak demand for disposable dialysisers due to a trend towards more frequent re-use

of such equipment.
Gambro reported profits of
SKr328m on sales of SKr3.1hn

Zenith in claim on Groupe Bull

ZENITH ELECTRONICS, the US consumer electronics com-pany, said after an extensive review it concluded that Groupe Bull, the French computer group, owes an addi-tional \$49.5m for Zenith's computer products business, writes Our Financial Staff. Zenith sold the business to

Zemin sold the business to Groupe Bull on Dec 28, 1989 and received a closing-date payment of \$496.4m in cash. The two companies are disputing the final price, which depends on valuations of the net assets sold.

Groupe Bull claimed the post-closing adjustment should

croups Bull clarmed the post-closing adjustment should result in Zenith paying it about \$49m. Zenith said if there were no deal on the sale in the next 30 days, the matter would go to arbitration.

Gambro in agreed bid Canadian car parts maker for Cobe to restructure its debts Labs of US By Bernard Simon in Toronto

FACED WITH a huge second-quarter loss and a cash crunch, Magna International, the over-extended Canadian automotive parts maker, is seeking a standstill on interest payments and price relief from its customers while it restructures its debt.

Magna plunged to a C\$186.5m (US\$158.4m) loss, equal to C\$6.71 per class B share, in the three months ended January 31; compared with earnings of C\$13.2m or 48 cents a share, a year earlier. Of the total loss, C\$153m consisted of writedowns on unprofitable

The pre-tax operating loss was C\$16m. which the company said reflected lower production volumes caused by the slowdown of the North Ameri-

can motor industry. Sales fell by 6 per cent to C\$431.6m.

The company estimated that its "problem plants" are cursive end of January. Sharerently losing between C\$60 and C\$70m a year from operations. Payment of the mid-1990 divi-

as one of the great success sto-ries of Canadian business, said that "over-expansion combined with a slowdown of the North American automobile market and the rise of interest rates has created a cash squeeze." As a result, it has failed to comply with some of the tests under its lending agreements. A debt restructuring plan now being drawn up a commit-tee comprised of three indepen-

holders' equity has shrunk by 43 per cent in the past year to C\$263m.

Magna operates about 120 factories with 15,000 workers. With the advantage of being non-unionised, it diversified rapidly in the mid-1980s from a base in metal stamping, into almost every kind of vehicle part, as well as vehicle design. Magna said it is also getting rid of a number of peripheral businesses acquired under the aegis of Mr Frank Stronach, its colourful founder and control-

ling shareholder.
Its share price has plummeted from a peak of C\$36.50 in 1966 to C\$7 last week.

Deutsche Bank hires BASF man

dent board members will

By Katharine Campbell in Frankfurt

DEUTSCHE BANK, West Germany's biggest bank, has bired Mr Ronaldo Schmitz, the finance director of the chandcals group BASF, to fill a senior management position in the continuing reshuffle of boardroom responsibilities following the death of Mr Alfred Herrhausen last Novem-

ber.
The appointment of a nonbanker to the senior ranks of Deutsche is relatively rare where most board members have worked their way up through the bank - Mr Herrhausen, who came from the big electricity utility VEW, being

one of the exceptions.

An economist by training,
Mr Schmitz, 51, was touted as
the possible new chief executive of BASF before the
appointment of Mr Jürgen
Strube last December. His experience at the financial helm of one of the world's top chemical concerns will now be a valuable asset to Deutsche's corporate finance activities.

of investment banking (pri-mary markets) and, regionally,

north America. He assumes these responsi-bilities from Mr Hilmar Kopper, leaving the new speaker (chief executive) free to concentrate on group strategy and communications, as did his

predecessor.
While Mr Schmitz joins the bank at the beginning of May as an executive vice president; legal niceties preclude him from being formally elected to the beard will behave 1991. Mr Schmitz will be in charge the board until February 1991.

CME plans dual trading curbs

By Berbera Durr in Chicago

THE CHICAGO Mercantile Exchange has moved to curb dual trading, the practice that allows brokers to trade both for themselves and customers. The CME's board of gover-nors voted last week to accept a committee report that recom-mended a ban on dual trading for all commodities in mature liquid contracts. A mature liq-uid centract is defined as one that has traded some 10,000 contracts per day for six

an April 17 referendum. The proposal will also have to be approved by the Commodities Futures Trading Commission, which has been attempting to ban dual trading through a

proposal of its own.

The CFTC wants to implement a pilot ban on one agricultural futures pit and one financial futures pit at the CME and the Chicago Board of Trade. This would be to discover whether dual trading is months.

The board's decision must be ratified by the membership in

exchanges, where it is firmly believed there should be a right to dual trade, at least in certain circumstances. The

exchanges also prefer to regulate themselves rather than be acted upon by Washington.

The CME in fact has banned dual trading in the Standard & Poor's 500 stock index futures in the standard of the standar since 1987 after a dispute between brokers and local traders in the early 1980s. The practice came moder new five last year when a two-year FBI probe of trading abuses came to light.

Bank group hit by debt provision

By David Barchard

SCANDINAVIAN Bank Group, the consortium bank which ranks as the 15th largest UK ranks as the 15th largest UK bank by asset size, has announced pre-tax losses of 23.22m (\$5.44m) after making total provisions of £21.9m against doubtful debts.

The loss compared with a pre-tax profit of £23.56m in 10032 The results were the first

pre-tax profit of £23.56m in 1988. The results were the first to be announced since the purchase last November by Scandinavian Bank's parents of the 35.4 per cent of its shares which were publicly traded. The provisions included £15.6m for provisions on Third World debt and £9m provisions for possible losses on local authority swaps transactions.

Total income for the group was £103.6m, compared with £100m. Profits from merchant banking were £28.1m, up from £27.1m. Capital market operations contributed £25.9m, up from £25m, global investment management made £35.6m, up from £34.4m and personal financial management £14m, up from £13.5m.

There was a loss of 15p per share, compared with a 1968 profit of 19.1p. A total dividend for the year of 3.0p was declared, down from 8.5p in 1968.

Citicorp real estate shakeup

CTTICORP, the leading US commercial bank, plans to reorganise its real estate leading division, which last year suffered from a more than doubling of non-performing and renegotiated loans to

Citicorp denied that the reorganisation was in any way connected with the current cri-tis in the real estate sector in many parts of the US. The review that led to the reorganisation, which aims to focus on business generated by indus-try leaders, has been under-way for 18 months. Citicorp's real estate divi-

sion employs \$00 people and at the end of 1989 had total domestic commercial loans of

Scandinavian French timber chief takes over at trading company

By William Dawkins in Paris

MR FRANÇOIS PINAULT, chairman of France's largest timber group, has taken over in a boardroom coup as the head of Compagnie Française de l'Afrique Occidentale (CFAO), the diversified trading company with activities from supermarkets to electrical

equipment.
The move follows the resignation of Mr Paul Paoli, former CFAO chairman, due to "differences of opinion between him and the administrators over the future strategy of the group," said CFAO.

This consolidates Mr Pinault's growing hold over CFAO, seen by analysts as vul-

over after a costly programme of diversification away from its original West African import

cent, making him the biggest shareholder, narrowly in front of Parfinance, the holding com-pany controlled by Mr Gerard

and export business.
Only last month, Mr Pinault increased his existing 8.9 per cent stake in CFAO to 20.1 per

Eskenazi. CFAO's share price fell by 4.7 per cent to FF7591 (\$102m) on Mr Pinault's election to chairmanship.
CFAO's activities include

supermarkets, construction materials, equipment hire and car dealerships, from which it

nerable to a partial or full take- made a FFr441m net profit on sales of FFr23.5bn in 1988. Last year, it won a hotly contested takeover battle for La Ruche Méridionale, a regional supermarket chain, for which it paid FFr1.5bn, a deal which analysts believed has signifi-cantly weakened its balance cheef

Mr Pinault's growing interest in CFAO comes just as he is negotiating to sell Chapelle-Darblay, the formerly ailing paper maker which he took over in 1987 after it had been bailed out by government sub-sidies and partially turned round by Mr John Kila, the Dutch businessman.

COMPANY NEWS IN BRIEF

CBR, the Belgian based international cement maker, lifted net consolidated income last year by 31.7 per cent to BFr4.053bn (\$11.3bn). Sales totalled BFr42.9bn, against BFr36.2bn. Earnings per share were 13.4 per cent higher at BVr991, writes Tim Dickson. The figures, which for the first time reflect new rules in conformity with international

conformity with international accounting practice, were helped by what CBR called "sustained levels" of construcstatante teves in the Benelux countries, Rhineland-West-phalia, and the west coast of North America.

■ Superfor, the Danish grain and feedstuff trading, road con-struction and packaging group, saw pre-tax profits slashed by 47 per cent from DKr241m (\$37m) to DKr123m last year and earnings after net finan-cial items down 33 per cent from DKr175m to DKr135m, writes Hilary Barnes in Copen-

Turnover was up 12 per cent from DKr6.43bn to DE 17.20bn. The 9 per cent dividend will be

Results in 1990 are expected to improve following organisa-tional changes in the grain and feedstuff divisions and a fur-ther improvement in profits in road construction and packaging. Last year's earnings were hit by difficult conditions in grain and feedstuffs, and in international trading.

■ Hudson's Bay, Canada's largest retailing group, has finally completed its long journey back to financial health, capping it with a one-third increuse in common share divi-dends, writes Robert Gibbens

For the year ended January 31, the Bay posted net profit of C\$121.9m (U\$\$104m), or C\$2.99 a share, up from C\$49.2m or 73 cents a share in fiscal 1989.

Revenues were up 2 year contains a share in fiscal 1989.

Revenues were up 2 per cent to C\$4.6bn. The gains came mainly from the Bay retail chain and from Zellers, another national chain, but also from real estate operations. After special items, final earnings were C\$168.2m or C\$4.37 a share in fiscal 1990, against a small loss in fiscal

■ Mr T. Boone Pickens, the Texas oilman and investor, has increased his stake in Koito Manufacturing, the Japanese automotive parts maker, to 26.4 per cent from 24.6 per cent, Reuter reports from Tokyo. He registered an additional 3m Koito shares under the name of his Boone Co, bringing its total shareholding to 42.4m

Mr Pickens was expected to increase his stake to around 30 per cent by registering another 5m shares later, Koito said, adding: "We fear that Pickens will resort to more pressure and demands with his increased stake." ■ A C\$10m (US\$8.5m) wrongful dismissal suit against Rio Algom, the Canadian mining arm of the British RTZ group by Mr George Albino, its former chairman, has been resolved, writes Robert Gib-

Mr Albino, abruptly removed from his position in 1987, will receive full pension at the age of 60 and has agreed to relinoutsh all other claims against the company. His reported sal-ary was C\$380,000 a year. The Ontario Securities Com-

mission is now expected to pro-ceed with a hearing into alleged misuse of a stock option plan by Mr Albino.

■ Esselte, the Swedish office supplies and media group, is to raise its 1989 dividend to SKr8 (\$1.29) per share from SKr5.25 in 1988, writes Our Financial Staff. The rise was proposed in spite of a reduction in profits after financial items for 1989 to SKr735m against SKr922m in 1988. In February Esselte announced a restructuring after investment firms Mobilia and Ratos had withdrawn a takeover bid for the company.

 Oversees Union Rank, one of overseas Union Bank, one of Singapore's Big Four, lifted net profits 44.6 per cent to \$375.5m (US\$40.3m) last year, Our Financial Staff writes. For the the parent bank alone, profits rose 31.6 per cent to \$348.7m. It declared a final dividend of 6 cents, up from 4 cents. cents, up from 4 cents.

This advertisement is issued in compliance with the requirements of the Council of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The Stock Exchange"). It does not compliance or offer of of his Vision to subscribe for or purchase any securities. "Application has been made to the Council of The Stock Exchange for the shares mentioned below to be admitted

Kunick PLC

Introduction to The Stock Exchange sponsored by Samuel Montagu & Co. Limited

Share Capital

The following table summarises the authorised and issued share capital of the Company:

27,500,000 515,000 2,152,174 30,167,174

Ordinary shares of 10p each 17,424,632 1,997,151 19,553,148

Kunick operates in two separate market sectors; leisure and care services. Its leisure activities are split between the operation and distribution of amusement machines and the operation of visitor attractions. Care services comprise the provision of care services for the elderly and infirm and the operation of acute

Details of the above mentioned shares are available in the Extel Statistical Services. Copies of the Listing Particulars are available, for collection only, during normal business hours up to and including 21st March, 1990 from the Company Announcements Office, The Stock Exchange, 46-50 Finsbury Square, London EC2A 1BD and, for collection only, during normal business hours on any weekday (Saturdays excepted), up to and including 2nd April, 1990 from Kunick PLC, Low Lane, Horsforth, Leeds LS18 4ER and from:

Samuel Montagu & Co. Limited, Panmure Gordon & Co. Limited, 10 Lower Thames Street, London EC3R 6AE.

9 Moorfields Highwalk, London EC2Y 9DS.

Samuel Montagu & Co. Limited and Panmure Gordon & Co. Limited are both members of The Securities Association.

Mortgage backed floating rate notes due 2028. Global Government Plus Fund Limited announced today that a For the interest period 15 March will bear interest at 15.4925% per annum. Interest payable on 15 June 1990 will amount to \$3,904.96 per \$100,000.00 note.

Agent Bank: Morgan Guaranty Trust Company OF NEW YORK BRUSSELS OFFICE, AS DEPOSITARY

JPMorgan

\$250,000,000

Mortgage Securities (No. 2) PLC

GLOBAL GOVERNMENT PLUS FUND LIMITED . Offer to purchase

total of 1.812.928 common shares representing approximately 14,47% of its outstanding shares had been tendered pursuant to the offer dated February 6, 1990 and which expired on February 27, 1990, made by the Company to purchase up to 25% of its outstanding common shares. Subject to the terms and conditions of the offer, the purchase price payable for each common share tendered and accepted by the Company for payment will be the net asset value of the Company on March 21, 1990 divided by the total number of issued and outstanding common shares. MORGAN GUARANTY TRUST COMPANY

CORPORATION (A) 175.3 70,000,000 3 per cent. Books doc 1992

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(B) U.S.\$ 130,000,000 4'4 per cent. Bonds due 1993 (C) LLS.5 400,000,000

MATSUSHITA ELECTRIC MBUSTRIAL CO., LTD.

II.S. \$100,000,000

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Compagnie Bancaire

\$300,000,000 Floating rate notes due 1995. Initial Tranche £200,000,000

For the interest period 15 March 1990 to 15 June 1990 the notes will bear nterest at 15∜ı‰ per annu Interest payable on 15 June 1990 per £100,000 note will nount to \$3,859.59.

Agent: Morgan Guaranty Trust Company

JPMorgan

Tokai Bank is proud to announce

and the second section of the second section is

the opening of its

Vienna Representative Office, March 19, 1990.

As one of Japan's leading city banks, with 269 domestic branches and 53 overseas offices, we are pleased to announce the opening of our representative office in Vienna. Through this office we hope better to serve the needs of the Austrian business community, by giving it access to Japan and to the worldwide network of Tokai Bank.

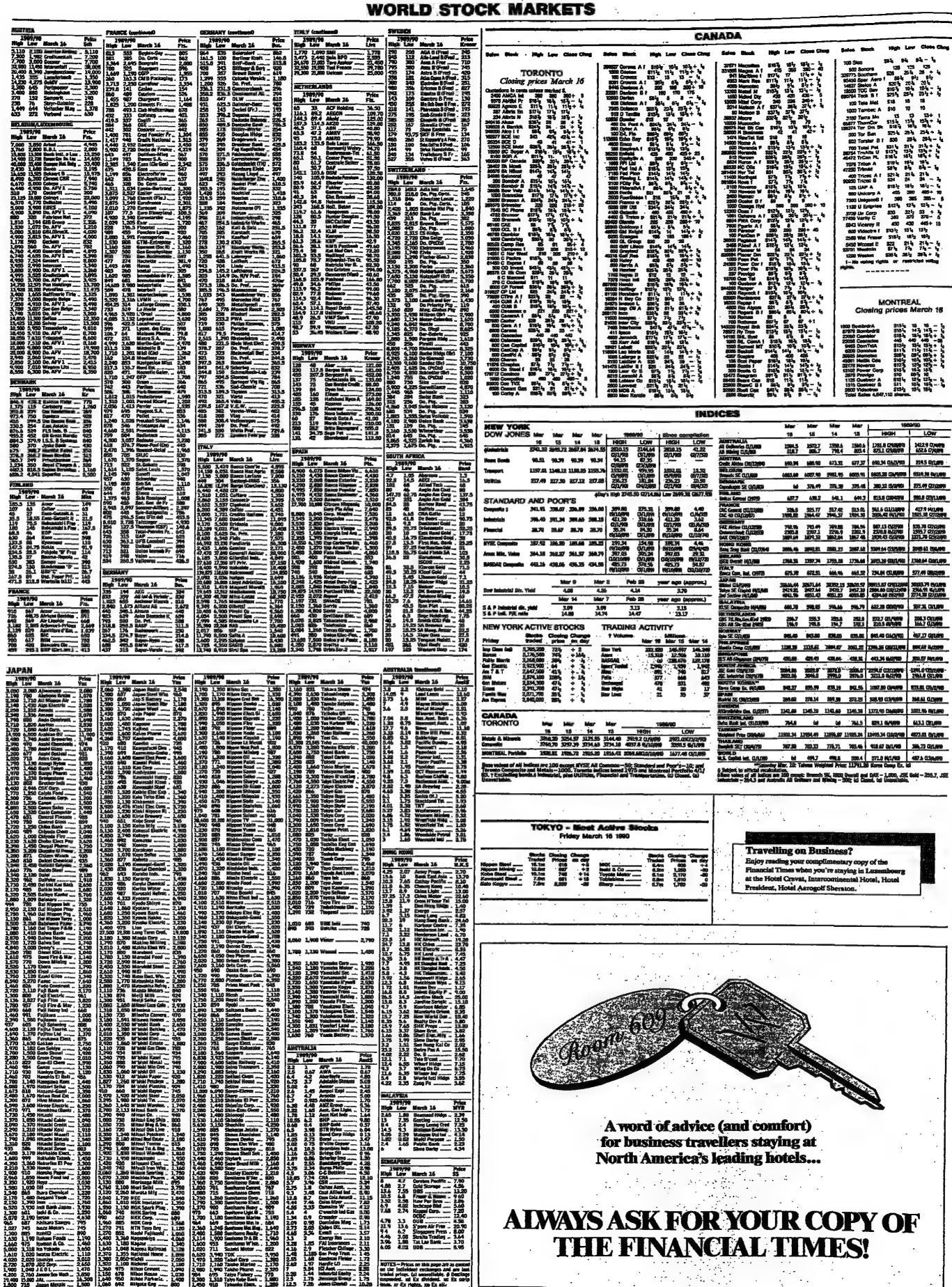
The Tokai Bank, Limited Vienna Representative Office Chief Representative: Fujio Noguchi Address: A-1010 WIEN, Kohlmarkt 5, AUSTRIA Telephone: 43-222-5335002 Facsimile: 43-222-5339910

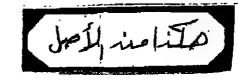
Tokai Bank looks forward to serving you in Austria.



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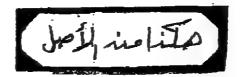
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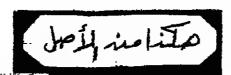
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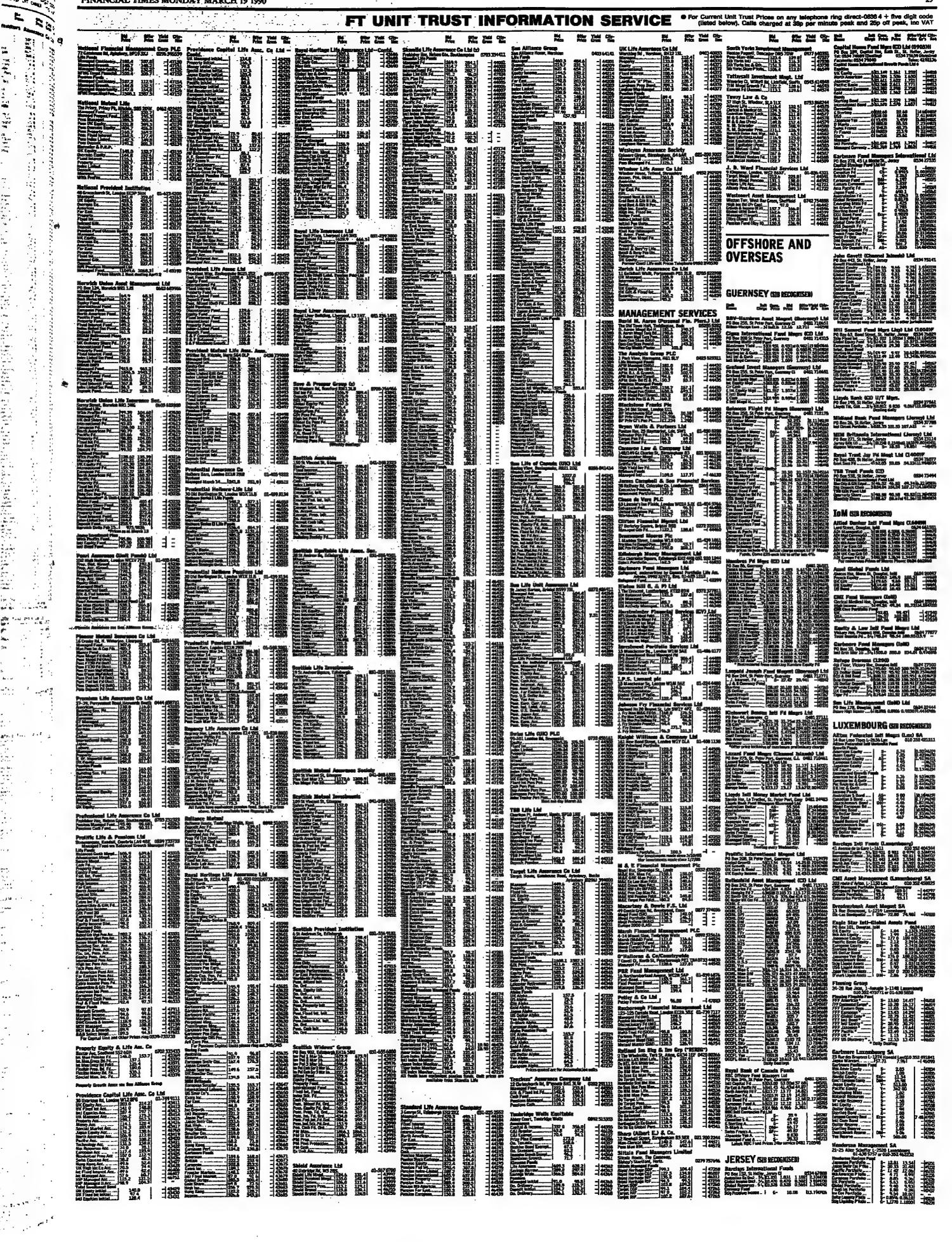
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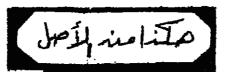
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CURRENCIES, MONEY AND CAPITAL MARKETS

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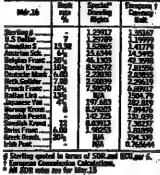
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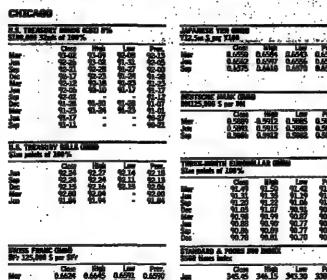
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21	M NEW Y	ORK
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Ferrard premis	our and discounts ap	of to the US dollar



CURRENCY RATES





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Clouds were sighted on the horizon last week, but as far as the financial markets were concerned it was hard to tell whether this was the prelude to a major storm.

US trade deficit to around \$9.5 bn from \$7.2 bn is expected, but if the D-Mark, yen and starling continue to have little attraction this may not do yery much damage to the dollar. There are hopes that the February UK current account deficit on Thursday will narrow to \$1.3 un from \$1.9 km, while tomorrow's money supply data is not expected to show much change in the level of bank lending from January's

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FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS			DAY MAR	CK 16 190			THUMBE	MY MARCH	15 1990	. DQ	LLAR INDE	X .
Figures in parentheses show number of stocks per grouping	US Dollar Index	% change since Dec.29 '89	Pound Sterling Index	Local Currency Index	% change local cur- rancy state Oec.29 '89	Gross Div. Yield	US Dollar Index	Found Sterling	Local Currency Index	1969/90 High	1969/90 Low	Year ago (approx)
Australia (83)	139.31	-8.0	127.14	122.82	-3.6	5.66	136.56	126.96	121.97	160.41	128,28	138,33
Austria (19)	279.77	+53.5	255.33	246.51	+ 54.1	1.08	275.46	252_41	244.49	279.77	92.84	104.74
Belgium (61)	144.51	-6.8	131.88	125.44	-7.6	4.45	142.75	130.80	124.62	160.02	125.58	131,14
Canada (120)	143.63	-5.8	131.09	122.73	-39	3.29	. 143.63	131.61	122.52	154.17	124.67	134.91
Denmark (36)	258.73	+6.8	236.13	228.64	+5.5	1.40	256,15	234.71	228.10	280.82	165,35	189.09
Finland (26)	142.09	+6.6	129.67	119.50	+5.7	244	140.27	128.53	118.88	159.16	118.63	143.27
France (125)	152.71	-2,1	139.37	137.14	-3.1	2.75	152_20	139.46	137.39	157.97	112.57	114.11
West Germany (96)	131.61	+6.4	120.11	115.94	+8.6	1.83	130.74	119.80	115.72	137.01	79.58	83.85
Hong Kong (48)	118,48	+1.2	106,13	118.82	+1.2	4.95	118.47	108.58	118.81	140.33	86.41	132.18
Ireland (17)	188_13	+3.6	171.89	168.73	+25	2.49	186.78	171.15	168.27 ·	198.57	125.00	144.77
Italy (96)	96,11	-2.4	87.72	89.80	-3.7	2.56	95.17	87.20	89.34	102.11	74.97	80.52
Japan (455)	151.34	-23.3	138.12	145.70	- 18.8	0.66	151.60	138.91	146.13	200.11	151,34	185.73
Majaysia (36)	234.61	+24	214.12	245.46	+3.1	2.16 .	234.32	214.71	245.08	245.32	143.35	160.79
Mexico (13)	406.99	+ 25.0	371.43	1174.74	+22.7	0.44	404.03	570.22	1166.21	409.41	153.32	165.75
Netherland (43)	139.30	-3.2	127.13	121.34	-3.3	4.58	138.13	126.57	120.89	145.66	110,63	115.44
New Zealand (18)	64.68	- 10.3	59.03	58.37	-9.4	6.08	66.15	59.70	58.47	88.18	61.96	70.59
Man Costonia (10)	245.90	+23.0	224.42	219.20	+22.5	1.54	243.75	223.35	218.60	245.90	139.92	170.37
Norway (24)	193,40	+9.1	176.50	166.93	+7.6	1.74	192.22	176.14	166.00	199.38	124.57	147.82
Singapore (26)	200.48	+20	182.97	174.59	+ 14.8	3.38	199.82	183.10	172.98	251,39	115.35	140.32
South Africa (60)	145.58	-10.7	132.86	120.21	-111	4.37	145.33	133.16	120.55	169.75	143, 14	146.45
Spain (43)		-7.4	182.33	161.67	-8.2	2.43	176.70	161.91	161.66	206.95	138.45	157.89
Sweden (35)	177.87				-33	217	92.03	84.33	86.81	99,12	67,81	75.69
Switzerland (62)	93.04	-1.1	84.91	86.98	-8.6	4.80			134.69	164,31		
United Kingdom (306)	149.30	5.9	136.26	136.26			147.00	134.69	138.64	146.29	133,28	148.40
USA (541)	138.10	-3.5	126.03	138.10	-8.5	3.46	138.84	125.21			112.13	. 119.18
Europe (989)	139.21	-22	127.05	124.58	-29	351	137.79	126.26	123.B0	146.66	112.63	118.30
Nordic (121)	191.07	+2.0	174.38	164.53	+ 1.0	1.90	· 189.43	173.58	164.26	201.89	137.95	146,95
Pacific Basin (666)	149.73	-22.8	136.65	140.70	-17.8	0.86	149.93	137.39	.144,14	194.72	149,73	181.46
Euro - Pacific (1655)	145.83	- 15.5	133.09	136.50	- 12.7	1.88	145.38	133.21	136.42	174:18	141.56	156.21
North America (661)	139.33	-3.6	126.25	137.12	-3.5	3.45	136.97	125.50	185.75	146,66	112.79	120.02
Europe Ex. UK (683)	131.5	+0.2	118.61	117.10	-0.4	2.70	130.47	119.55	116.90	135,73	96.30	99.73
Pacific Ex. Japan (211)	120.85	-3.8	118.51	118.29	- 1.3	4.96	129.46	110.63	117.81	140,05	111,93	130.27
Pacing Ex. Japan (217)	146.44	- 15.0	133.64	135.75	-121	1.95	145.99	133.77	138.65	173.77	141.49	155.52
World Ex. US (1848)	141.73	-12.0	129.95	137,16	-9.7	2.21	141.00	129.28	126.72	162.00	136.98	140.64
World Ex. UK (2083)		-11.5	129.63	136.78	~ 9.B	2.45	141.24	120,42	136.23	161,84	135,67	141.32
World Ex. So. At. (2329)	142.03	-3.0	127.03	132.74	-3.0	3.53	137.85	126,32	191.68	145.52	114.51	120.05
World Ex. Japan (1994)	138.12			_			, '- '					
The World Index (2389)	142.39	-11.4	129.95	137.04	-9.4	2.48	141.59	129.74	136.49	162.05	136.68	141.32
Base values: Dec 31, 1986 139.65 (US \$ Index), 114.4 Copyright, The Financial Constituent changes: Dele	5 (Pound	d Steriing) : mited Gold	and 1233 Imen. Se	22 (Local). cha & Co.	and Count	v NatWe	st Securiti	es Limited.	1967	•		, 1988 <i>=</i>

PQU	ND SPOT	- FORWAR	MADA G	NST '	THE POL	MD		
- Mar,16	liay's spread	Clase	Ope mustik	% p.a.	Three Proofis	% p.a.	EQ	JITI
US Casada Belghan Denmark	1.0195-1.6275 1.9145-1.9220 3.094-3.104 57.10-57.40	16240-16250 19156-19165 3,899-3,109- 57,15-57,25	0.90-0.86cpm 0.32-0.23cpm 15-13-cpm 28-17-cpm	6.57 1.72 6.05 4.72	2.61-2.58pm 0.90-0.77pm 4%-44pm 74-56pm	639 174 613 455 272 236 654	issue Price	Astrint. Paid Up
irched W. Sermaty Portugal Seath	2744276 279.16-244.30 176.50-177.55	10,55 - 19,56 1,0340 - 1,0350 2,75 - 2,754 20,25 - 244,25 176,50 - 176,50	23-21-arepu 0.30-0.27-ppm 15-11-arepu 7-26-aks 8-1-cpm	313 313 681 681	75-64 pm 0.67-0.55pm 45-43 pm 114-1490s 13-1mm	-216	\$125 \$14 -	F.P. F.P.
Kaly	20291 - 20361 10.641 - 10.681 9.281 - 9.321 9.951 - 9.991 2461 - 248	2091 4 - 20924 10,66 5 - 10,67 2 9,29 5 - 9,30 5 9,97 - 9,98 247 - 248	5-3inten 3-25-orean 33-33-com 5-3-orean 15-13-yan	5349975	13-110m 8½-8½pm 10½-9½pm 1½-½pm 4½-4½pm	236 3.12 4.30 0.65 7.17 5.92 6.02 4.16	942 †	F P.
Antiria Seritariani. ECU	19.35-19.40 2.445-2.464 1.3500-1.3510	19.36 - 19.39 2.444 - 2.454 1.3500 - 1.3510	101-91 gropm 11-1 com 0.52-0.49cpm	4.47	291,-271,00 34,-31,00 1.43-1.30,00		9148 9100	F.P. F.P.
Coputation 9.76-9.06cps	rotes taken towards t	ite end of London tra	dlag, Six-menth f	enert de	llar 5.04-4.99cpm	12 month		
DOLL	AR SPOT-	FORWAR	D AGAIN	STI	HE DOL	LAR	\$10.5 \$10.3	
Mar.16	Day's spread	Close	(ine woath	p.e.	Three months	%. p.	\$10.3 100 100 100	静
UK) ireland? Coonds Netherlands ,	1,61%-1,62% 1,560-1,575 1,765-1,190 1,9050-1,916	1.5240 - 1.6250 1.5705 - 1.5715 1.1795 - 1.1805 1.9080 - 1.9090	0,90-0,88cpm 0,44-0,39cpm 0,46-0,49cds 0,04-0,06cds	6.57 3.17 4.53 -0.31	2-61-2-58pm 1-62-1-52pm 1-37-1-42ds 0-12-0-15ds	6.39 4.00 -4.72 -0.28	\$100 \$30 \$10 \$10	

		supply data is not expected to show much change in the level	Mar.16		Day's pread		Close	. On	: worth	p.e.		nee ntiks	%. II.
	Yesterday's election in East Germany kept Frankfurt unsettled, since it was an important event on the way to German unification. Tokyo was	of bank lending from January's rise of £5.8bn. On the other hand City economists have tended to be too optimistic in forecasting UK figures	Irelandt	1.176 2. 1.905 35.1 6.467 1.690	-6515 0-16995	1.179 1.902 35.1 6.49 1.694	0 - 1.6250 8 - 1.5715 6 - 1.9090 6 - 1.9090 5 - 35.25 1 - 6.50	212	-0.88cpm -0.39cpm -0.49csts -0.06csts -8.58csts 2.33crcsts 0.05prpm	6.57 3.17 4.53 -0.31 -1.87 -4.07 0.42 7.20	11.00 11.00 5/75	-2.58pm -1.52pm -1.42ds -0.15ds 21.00ds -6.25ds -0.06pm	4.72 4.72 4.72 4.72 4.73 6.89 6.89 4.15 4.15 4.15 6.83 6.83 6.83 6.83 6.83 6.83 6.83 6.83
	nervous about a long expected rise in the Japanese discount rate, but the Bank of Japan	recently. The UK Budget tomorrow is	Spelo Italy Narvay	- J (불	- 100 25 12544 - 6,584	108.5	5 150.05 5 169.05 6 1231 5 6.57	3.00-	85-95csb 55-60csk 0.001mest 2.00cmests	-720 -533 -342 -190	17.05	5-330ds 3-176ds 14 mete 5.65ds	-8.60 -6.32 -4.15 -3.31
	had made no move by the end of the week.	of great importance and will need to be tight if confidence in sterling is to be maintained,	Sapan		1-5,741 3-6,16 5-152,45 1-11,96 0-1,5190	號	5-5721 6-6144 8-15235 8-1195	3.02-3 0.20 0.30-0	3-0.93cals 3.17credis 1-0.00ypsa 1.75credis	6.04 0.72 -0.53	910	-3.07dis -9.45dis -0.30pm -2.10dis	-211 -6.03 -0.63 -0.47
	These factors could be pushed into the background this week as the markets	but this will not help rebuild the ruling Conservative Party's popularity. If the Government	5.0	1.199 d rate tak	0 - 1.2040 na towards	1.507 1.201	5 - 1.5085 0 - 1.2020 f Loader t	0,01 8,21 radius, 1	-0.20cpes UK, treta	-0.36 205	0.68	-0.17dk -0.65pm oted in US	2.21
	prepare for the US trade figures tomorrow, nine some	does not soon improve its rating in the opinion		renium a	d discount	s adopty to	the US do	lar and o	ed to the		CETTERCY.		
	important UK data and the Budget on Tuesday. A widening of the January	polls, political rather than economic factors are likely to drag the currency down.	1 · (\)	i ight.	EX.	CHA	MOE	CINC	288 1	ATE	3.		·
			Mar.16	1.5	. 8	DM	Yes	F Fr.	S Fr.	R FL	Lina	ÇS	8 Fr.
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	12 months 0.90-0.99pm 2.60-2.76pm 2.60-2.76pm 2.15-9.05pm 9.12-9.02pm	Steriling 66.6 -24.6 U.S. Dollar 66.2 -9.5 Canadian Bollar 103.5 +0.8 Assirtan Schilling 110.1 +12.2	F F2.	1.075 0.408	1.747 0.663	2.950 1.124	266.1 101.0	10 3.796	2.634 1	3.333 1.265	2185 829.4	3개설	왕꽃
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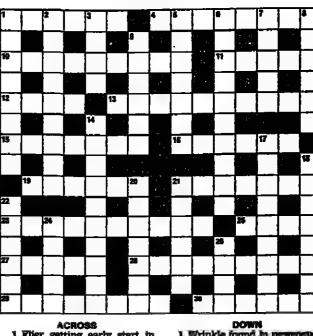
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LONDON RECENT ISSUES

CROSSWORD No.7,192 Set by PROTEUS



1 Flier getting early start in north wind (6) 4 Takes for granted total accepted by confused peers

dug into (9)
11 Part of full if exponeous sen-

tence (5)
13 Departed behind schedule (4)
13 Hope Paris turns out article on it perhaps (10)
15 Sun may come out now with number on Str Robin (7)
16 Old-fashioned figure (6)
18 Fool throwing out net agreement (5)

102 7 101 딿 \$ Dectro \$.40 8.78

1 Wrinkle found in namepape (8)
2 Family stories (9)
3 Food some provide at suppor

(8) (4) Stranger of the strang body (7) 6 Medley of animals dug out

(10)
7 Civilian clothes or church ladies outfit (5)
8 Bound to be a source of water (6)
9 Wool from a cow (6)
14 Risked coming on rude pas

number on Sir Robin (7)
16 Old-fashioned figure (6)
18 Fool throwing out net agreement (6)
19 Writer coming to don's aid?
(7)
23 Reading about mention in
US dispenches (10)
10 Cockney into liberated? (4)
27 Provide food with trace elements (5)
28 Sign rain is to fall on book-keeper (0)
29 Normal term for flag (8)

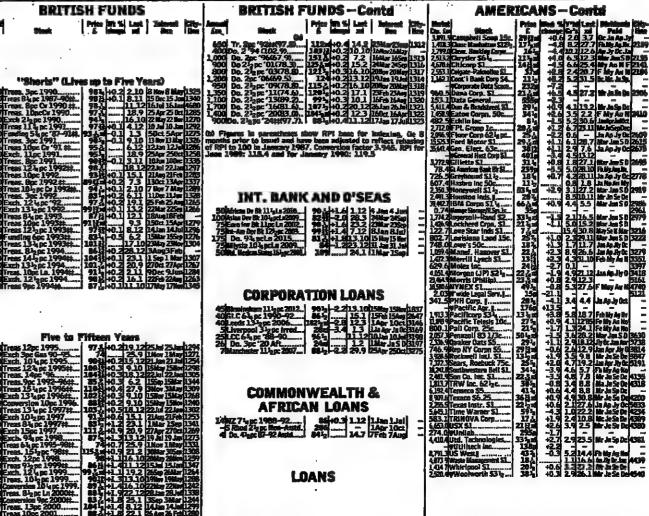
14 Risked coming on rude passage (10)
17 Reserve showing control (9)
18 Resident physicians and fashionable saflors in river (8)
20 He gives away secrets of magazine it is said (7)
21 Early life-form proving me a boa-constrictor? (6)
22 Sign that it may be hard to hold vehicle up (6)
24 Pin we are told for a surplice (5) heeper (9) 29 Normal term for flag (8) 30 Conditions in America? (6) plice (5)

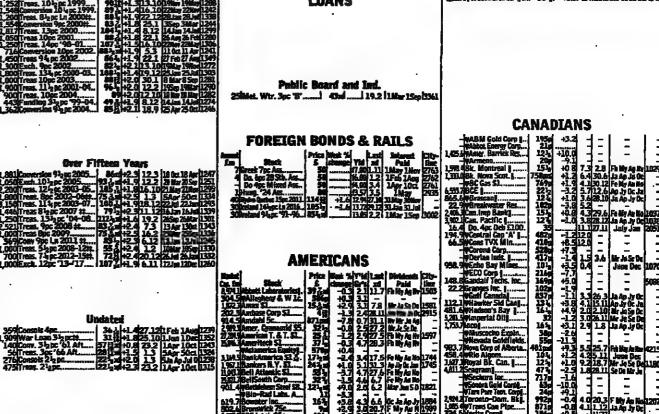
26 Some need to catch up (4)

The solution to last Saturday's prize puzzle will be publish with names of winners on Saturday March 31.

JOTTER PAD 뱳 *

LONDON SHARE SERVICE





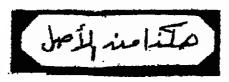
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YORK STOCK EXCHANGE COMPOSITE PRICES

4pm prices March 16 | Page | Law | Reach | Lib. | The | Complete | Law ### Shock Che, Yield 100-High Property Ches. | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 1 1. In the part of 1.40 .30 .50 25172544 111035 224044 12172544 111035 224044 1.40 1.40 35 30 ## | 15.4 | 14. | 14. | 14. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 15. | 34 Archell 11.44

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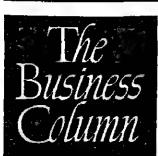
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Universal banks may not be exportable

THE TAKEOVER of Morgan Grenfell by Deutsche Bank in January has encouraged the belief that German-style banking could emerge as the dominant force in the EC's integrated financial markets. The deal seemed to mark another advance for the universal banking concept which combines traditional banking with investment banking (corporate finance, securities dealing, stockbroking and so on), and is also characterised by banks owning large stakes in their industrial clients.

But the ascendancy of the concept is challenged in a new study* from the Brussels think-tank, the Centre for European Policy Studies.

But the ascendancy of the concept is challenged in a new study* from the Brussels think-tank, the Centre for European Policy Studies, which argues that universal banking is special in time and place to post-war Germany and is not well equipped to prevail in an international market.

market.

It makes these points:

It makes these points:

It miversal banking is supposed to give banks superior information about their dismissinrough the breadth of their relationships, this is not reflected in the quality of their lean portfolios.

In theory, universal banks

lean portiones.

In theory, universal banks should enjoy economies of scope from the breadth of service they offer but there is no evidence of this. Although they are well placed to substitute one service for motivat to meet shifting demand, universal banks cannot outdo specialist competitors on their own territory.

Specific dangers

There are specific dangers in universal banking: the risk of contagion if one of their associated industrial companies runs into trouble, the conflict of interest between the role of lunder and investor to the same company, and the stifling effect that banks, with their natural caution, can have through their close relationships with their clients. There is also the danger of concentration of power since lanks dominate the credit system and investment market through their leading fund management role and their expansion into insurance.

expansion into insurance.

The study also refutes what may be the best case in favour of universal banking — that it provides financial stability for industry and fosters the long-term view.

The authors lean heavily on the argument that although

The authors lean heavily on the argument that although German banks performed a useful role in post-war reconstruction they have outlived it in an era when companies used for lean finance is dealining and when the role of securities markets is growing. Indeed, the banks may have made things worse by stifling the growth of Germany's equity market.

Many companies in other countries, not least those in Britain, will not be convinced by this argument. But for the banking industry, there is a strong case against universal banking because of two fairly

simple facts.
One is that German banks are not especially profitable compared to foreign banks, suggesting that universal banking does not pass the ultimate test of the bottom line. The other is that Germany is one of the largest importers of financial services, a rather damning indictment of its domestic banking system.

Social role

One explanation for the German banks' inferior results could be that they perform more of a "social" role in their home market, that they forego part of their profit to support their clients or further the interests of the economy as a whole. There may be some truth in that and many would applaud it if it was so. But it would be another reason for wondering whether German banks can succeed in a wide open, highly profit-driven international market.

Even if universal banking is a vibrant force in Germany, the key test will be its exportability into markets with quite different traditions. That is why the progress of the Morgan Grenfell acquisition will be interesting to watch.

David Lascelles

*Universal banks: the prototype of successful banks in the integrated European market? by Alfred Steinherr and Christian Huveneers. 25 Ecu. Centre for European Policy Studies, 33 Rue Ducale, B-1000 Brussels. Tel (322) 513 4088. t is rather chaotic that is what is now expected of President Havel. Passing through the three courts of Prague Castle to the

President Havel. Passing through the three courtyards of Prague Castle to the Presidential offices, the nation's past embodied in the monuments and buildings, you are ushered — casually — into a milieu of impending chaos among men and women whose clothes and appearance bear the defiant imprint of the underground and dissidence; they refuse to wear the suits of pre-revolutionary orthodoxy. Mr Havel comes into the magnificent public antercom in pullover and old corduroys. He has the shy, ducking walk and smile of a man conscious of being the focus of all eyes and desires and anxious to deflect the attention with irony and

modesty.

The determined — almost symbolic — informality now attracts or informality now attracts or informality now attracts or informality now attracts or informality now attracts and writers who are said to function as a support network rather than as policy analysts. It is worth asking what Havel needs in the way of advice: the ideas he now advances in speeches are elaborations of the limpid essays he has written over the past two decades. These works, in which he considers the effect on the human intellect and conscience of living under a totalitarian system, and on the shape of the New Europe which might emerge from the decay of the blocs, are now given the sort of public and media exposure of which most intellectuals can only dream. Havel is the intellectual/states.

man, the only one of his kind.

Though he shows signs of the strains which the emerging conflicts in post-revolutionary Czechoslovakia are placing on him, Havel, in the first months of his presidency, has been granted and is using fully a world pulpit from which he can preach a new kind of political morality. At a time when the sheer malleability and uncertainty of the world order puts a premium on thought, idealism is allowed to rise without being instantly crippled with the tag of naiveté.

"We live," he told his country on New Year's day, "in a

try on New Year's day, "in a decayed moral environment." He, as a former prisoner of the regime, could blame the communists, but "it would be unwise to see the sad legacy of the past 40 years as something alien to us... we must accept it as something which we have brought on ourselves. We cannot lay all the blame on those who ruled us before, not only because it would not be true, but also because it could detract from the responsibility each of us now faces... to

act on our own initiative, freely, sensibly and quickly."

To the US Congress, on February 21, he said: "we are still incapable of understanding that the only genuine backbone of all of our actions, if they are to be moral, is responsibility."

MONDAY INTERVIEW

Intensity in the moral approach

Vaclav Havel, Czechoslovakia's President, shares his views with A.H. Hermann and John Lloyd

Barely back in Prague, on February 25, he told a rally in Old Town Square on the anniversary of the communist takeover 42 years before: "the human spirit is not a matter of the human intellect alone. It is also deliberation and forethought as well as conscience and decency, taste and love for one's neighbour, courage and detachment from oneself as well as doubt and even humour"

It is hard to think of any national leader who could speak in this way, or had the moral authority to do so. And yet the word about Prague is that "our President is too good for us." This may mean "we

PERSONAL FILE

1936 Born, Prague 1963 First play, The Garden Party 1977 Founds Charter 77 with

Jiri Hayek and Jan Patocka 1978 Essay, The Power of the Poweriess, circulates in marnizdat

1979 Sentenced to four and a half years in prison
1989 Founds Civic Forum after November 19 demonstration broken up. in December elected President.

want someone to blame for the past 42 years;" or perhaps "we do not want to be told that salvation is up to us: we want to be saved, enriched, our lives improved by someone else — and quick." Is it that the deeper truths, reflected on by a writer over decades of dissidence and imprisonment, are too deep for everyday living?

But he will not change; indeed, he intends to intensify the approach. This was clear when we asked him if he would put himself forward for election as president again after June, when his temporary term expires. He said: "At least four conditions must be met. First, someone would have to propose ms. Second, we would

need to know who would win the parliamentary elections. Third, I would need to know how long the next presidential term would be. Fourth, I would need to know that it was essential to the country for me to stay as president, or whether I could be replaced by someone

"If we wish Czechoslovakia to become a democratic country, it can't depend just on one person. And I have learned this; one day in this job is 100 times worse than one day in prison.

"But I have one incomparable advantage — I don't need the job, so I don't have to care about my popularity. I can say some very unpopular things to the nation — and in the next two years there will be many unpopular things to be said. Only a person who does not long for popularity can do

What of the squabble within the Government's economic team over the pace and nature of creating a free market? Mr Havel replied: "we must think what to do over the next two or three months. We cannot be harted in a task to make decisions for which we will later be sorry. We must establish a programme for action for 10 years ahead, and then move along this long term plan day by day. It is only natural that different economists and politicians have different views on how to conceive and shape this long-term plan, and we must take time for discussions." President Masaryk, the first President Masaryk, the first President of the Czechoslovak republic, said: "Democracy is discussion." Havel has the same motto — for good or ill.

discussion." Havel has the same motto — for good or ill.

Mr Havel is happiest in the wider field of the New Europe where he has aketched out a vision in which, as he said to the US Congress. "these revolutionary changes will enable us to escape from the rather antiquated straitjacket of a hipolar view of the world and to enter at last into a period of multipolarity, that is, into an



'I will say some very unpopular things to the nation'

and small, former slaves and former masters - will be able to create what Abraham Lincoln called "the family of man." We asked him how such a multipolar world would guarantee security without the

He did not reply directly, but his vision is clearly conditioned by his belief that while "the Soviet Union is not a democratic country, it is a country which has embarked on the road to democracy. I think that the changes are irreversible enough that they do not depend on one person. Even if

[Gorbachev] fails, and is replaced by someone better or worse, the changes are not reversible."

NATO and the Warsaw Pact

NATO and the Warsaw Pact must, therefore, dissolve — though he stresses he does not see them as symmetrical. NATO is a free association of nations; the Warsaw Pact "a system of symbolic manipulation by the Soviet army." However, they must go to allow the emergence of a Europe which "will no longer spawn wars upon the world, but will be a shining example of peace."

Mr. Havel is, more firmly than any other leader of the

post communist states, concerned to insist on the particularity of Europe, and the need for the West to move towards the East on much as vice versa. He has proposed two new regional groupings — Hungary, Yugoslavia and Italy on the one hand, and Poiand, Scandinavia and the Baltic states on the other. Czechoslovakia, conveniently situated, would be the geographical and cultural link between the two. Next month, at Mr Havel's prompting, a meeting of statesmen from the first group has been convened to develop economic, political and other links which

would then allow the integration into a wider Europe to proceed from a position of greater strength. "The former communist

countries must find a way into the wider economic and market system of Europe. We should not try to overtake each other – we have to co-ordinate our progress in this field, and it is possible we will find some intermediate steps and institutional arrangements. For the economically more advanced western European states to welcome us into their midst as returning members, they will have to transform themselves into institutions which will be truly European and not just western European."

He looks forward to his visit

He looks forward to his visit to France and Britain with his customary irony, noting that Britain "has a certain tradition of aloofness" from central European concerns because of its geography, and because "it has not experienced dictatorship for centuries." In Britain he will meet Mrs Thatcher, the Queen and representatives of the Confederation of British Industry and the City.

industry and the City.

"I will explain that we don't want money: we want advice, we want opinions, we want to learn to work hard."

The day after our interview, Havel met Richard von Welzsäcker, the West German President and Hans-Dietrich Genscher, the Foreign Minister on the anniversary of the German invasion: another symbol. We asked him if he would invite President Mitterrand and Mrs Thatcher to Prague on the anniversary of Munich? He confessed that "in my soul, tending to symbolism, I have entertained the idea. However, I have not expressed this idea aloud till now, and in any case, it will require the agreement of two people, namely the President and Mrs Thatcher."

The invitation, if ever made, would be superficially distressing to both, a reminder of national loss of nerve, but might prove, after all, attractive. Neither are seen, or of course see themselves, as appeasers: for them, the symbol would not be just one of cancelling the Chamberlain dismissal of pre-war events in Czechoslovakia as "a quarrel in a far away country between people of whom we know little" — but of serving as an oblique reminder to a swelling German power that times have changed in every way, and that Munich, and its mentality, was being laid to rest. In short, a rather creative invitation with a moral to teach: the mark of Havel upon it.

Basic principles to guide journalists

hroughout its 37 years' existence, the Press Council has resisted constant pressure to promulgate a code of practice for journalism. Last week, the Council published its 16 principles of good journalistic practice in pursuit of its philosophy that unethical conduct puts in jeopardy the freedom of the press.

The disinclination in the

past to follow other occupations and groups in public and social life which have progressively adopted codes of conduct and practice for their members reflected the attitude of successive independent chairmen of the Press Council. The first, Lord Devlin, proclaimed the English lawyers' preference for a pragmatic growth of rules out of case law. The Council adopted the methods of generations of English judges who produced the common law of England: "They let it grow out of the decisions they gave."

Added to which there has

been no little distaste among Anglo-Saxon lawyers for the foreigners' adherence to codification, stemming from the Emperor Justinian's code from sixth-century Rome. Lord Devlin's successors, all lawyers, trod the same path. The present incumbent has, however, felt more attuned to the prompting in 1977 by the Royal Commission on the Press to publish a code based on the Council's adjudications and decisions over the years.

Last week's Code of Practice does, in fact, no more than put into written form the principles on which the Council has grounded its adjudications of readers' complaints. So once the idea of codification has been accepted - and some in the newspaper industry much prefer unwritten, rather than publicly declared rules - there should not be too much difficulty in gaining endorsement of the 16 articles. But the Council is committed to keeping the code under constant review and amending it from time to time, in the light of changing public attitudes and of experience in operating the



JUSTINIAN

The code has not been adopted just as a modish response. Reasonable people have often asked: why tolerate the uncertainties of unwritten rules which stem from the vagaries of individual: Council adjudications? Why not enunciate the rules clearly and certainly by the simple device of a code? That way practitioners of journalism will know what is expected of them by the setting down of standards. And the public will be able to identify the particular rule which it claims has at any time been breached. The question then is,

A code of practice in a complaints system is not law — not even of the sort a profession can impose on members

how will the Council interpret the articles of the code? To answer that question by saying that there will be no difference would be to deny the utility of the code.

A code of practice under a self-regulatory complaints system cannot constitute law, even to the extent that a profession or occupational group can impose laws on its members. It is, in any event, a code of practice, not of conduct. It seeks not to discipline, but to set standards and to maintain them by moral suasion. But the code is more than a set of

guidelines that should ordinarily steer the practitioner in one direction rather than another. It is a means of declaring a few fundamental principles to be adhered to in a reasonably flexible, but never an elastic manner. The Press Council's code is

not the familiar, broad 10 (or even fewer) commandments of generalised moral precepts from which no reasonable person could dissent. The five-point declaration of the national newspaper editors last November necessarily adopted that formula in order to gain accord among the very diffuse interests of broadshest and tabloid national newspapers.

The Council has also resisted the alternative of an elaborate code covering the multitude of situations encountered by journalists and editors. Precise rules for detailed situations, often by stating what may or may not be done, would have a double disadvantage. Such a code would be lengthy and be seen as comprehensive; it would lead to a belief that anything not precisely covered by the code would be permissible. Therein would lie the stratijacket for journalism, an occupation that cannot conceivably flourish under such constraints

The other danger would be the size of the code. Quite apart from being an unwieldy document, unfitted to the journalist's trade, there would be room for endless argument over the meaning of words — a lawyer's delight but a night-mare for a complaints body dedicated to a swift and simple procedure for public and press

Above all, the implementing of the provisions of the code of practice should help rebut the charge, not entirely fairly made by a critic before the Royal Commission on the Press, that Press Council adjudications "are reported too shortly, do not appear to be fully or clearly reasoned and in sum often lack any intellectual coherence or consistency of

his amouncement appears as a matter of record on

CENTRAL CAPITAL CORPORATION TEMENT OF INCOME CONSOL

	CONSOLIDATED STAT	TEMENT OF	INCOME	CONSOLIDATED BALANCE SHEET						
	•		December 31		٠٠.	-	Decen	mber 31		
		1989	1988				1989	1988		
			thousands)				(dollars in	thousands)		
Revenue	Investment income	\$1,829,766	\$ 1,435,355		Assets	Cash and short term	•			
	Fees and commissions	117,529				investments		\$ 1,406,353		
•	Underwriting revenue Other income	242,835 31,926			٠,	Marketable securities Morteages, loans and	1,820,846	1,616,274		
	Other modern					Morigages, ioans and	12.386.516	11.277.379		
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Expenses	Interest Salaries, commissions and	1,472,032	1,080,654			Investment in and advances				
	Salaries, commissions and other operating expenses	487,592	403,559			to affiliated companies	365,996			
	Provision for mortgage and	1 .		•		Other assets Intangible assets	1,024,902 757,910			
	long losses	- 43,560	28,426			Trianguo amera				
	Provision for losses		1004 000				\$17,431,702	\$16,006,843		
	on claims Amortization of intensible	155,053	126,902		Lisbilities	Demand deposits	20 541 220			
	· Amortization of intangible	21,384	15,335		L180mncs	Demand deposits	\$ 2,761,238 9.628,147	\$ 2,525,009 9,101,923		
		2,129,621	1,654,876			Other borrowings	1.750,157	1,807,871		
	The state of the s		1,000,070			Deferred revenue	442.617	343,005		
	Not income before income taxes, extraordinary items					Allowance for cisims	376,284	182,115		
	axes, extraordinary items and minority interest	92,435	103,195			Other liabilities	890,957	789,705		
: .	Income tax expense	(6,334)			_		15,849,400	14,749,628		
•	Not income before extra-	diam'r.				Surpordinated debt	298,933	144,437		
	ordinary items and				/	Minority interest	299.052	228,029		
	minority interest	98,769 ·	89,303		Shureholde	ATS.				
	Minority interest	28,707	26,002		Equity	Capital stock		•		
	Net income before extra- ordinary items	70.062	63,301		_,	Preferred shares	197.112	137,746		
	Axtraordinary items	70,062	19,822			Common and class A				
Earnings	Net income	\$ 92.151				subordinate voting				
Minne		3 76,602	3 03,160		4	bares and warrants	598,928	602,019		
	Net income per common						796,040			
	and class A subordinate Voting share	2				Contributed surplus	26,399	25,215		
	voting share — basic	\$ 1.20	s 1.06			Retained earnings	161,878	119,771		
	— fully diluted	\$ 1.13	\$ 1.02	·: ·			984,317	884,751		
		-					\$17,431,702			
		٠.				Total Capital Funds				
		-	-				\$ 1,582,302	\$ 1,257,217		
	•			٠	- 11	Total Assets under Administration				
		-	** *			. :	\$36,282,934	\$33,053,598		
	,	-				Book value per common				
	-	-			,	and class A subordinate				
	•					voting share	\$ 12.00	\$ 11.29		
	•					•				
	•		STOR					+		
				AT THE	ATTE:			,		

RIGHLIGHTS

Central Capital Corporation (The Corporation) reports consolidated gross revenue of \$2,222,056,000 for the year ended December 31, 1989, an increase of 26%. Net income for the year increased to a record high of \$92,151,000 from \$83,123,000 and net income per share increased to \$1.20 from \$1.06, each representing an increase of 11%. Total corporate assets increased 5% to \$17.4 billion from \$16.0 billion and total assets under administration increased 10% to \$36.3 billion from \$33.1 billion. Total capital funds, comprised of shareholders' equity, minority interest and subordinated debt, increased by 26% to \$1,582,302,000.

At December 31, 1989, the book value per common share and per class A subordinate voting share was \$12.00, compared to \$11.29 at December 31, 1988.

The Corporation's major acquisitions during the year consisted of the insurance businesses of U.S.F. & G. Canada Corporation and Scientish & York Holdings Limited. These acquisitions when combined with the Corporation's existing insurance activities generated annual premiums in excess of \$400 million, on invested assets in excess of \$1 billion and shareholders equity of almost \$400 million.

The Corporation and Inter-City Gas Corporation (ICG) entered into an arrangement agreement which would result in the disposition of ICG's propose and utilities divisions. Upon completion of the arrangement agreement, the Corporation expects to realize a gain on the sale of these operations of approximately \$222,000,000 in the first half of 1990. Proceeds of sale will be approximately \$222,000,000.

At a director's meeting on March 9, 1990, a quarterly dividend of 15 cents per common and class "A" subordinate voting share was declared.

Central Capital Corporation is the management company that provides straingic and financial direction to its subsidiary and affiliated companies.

Principal subsidiaries include: Central Guaranty Trust Company, The Mostgage Insurance Company of Canada, Canadian General Insurance Group, and its United Kingdom operating companies, Central Capital Holdings Limited and Capel-Cure Myers Capital Management Limited.

C. W. Cole President & Chief Executive Officer arch 19 ly

FINANCIAL TIMES



President Babangida can claim that the structural adjustment programme is largely in place, but

recovery depends on creditors offering easier repayment terms, says Michael Holman. They may nevertheless be reluctant to let Lagos off the tight financial leash

A question of debt relief

disastrous period, when oil wealth was squandered and external debt began climbing to its current level of \$32bn, is the critical question for the decade wheat.

A host of factors will belo determine the answer: they include the impact of events in eastern Europe on aid to Africa, the challenge to Nigeria for African markets which a post-apartheid South Africa could present, and the risk to Nigeria's political stability and economic discipline posed by the phased transition to civilian rule in 1992.

But a central part of the answer depends almost as much on the response of west-ern landers and trading partners to Nigeria's economic plight as it does on Nigerians

For the former, the issue at stake lies at the heart of the economic crisis gripping Africa as a whole.

Can Nigeria – now in its

fourth year of a structural adjustment programme endorsed by the international Monetary Fund (IMF) and funded mainly by the World Bank – bring about a sus-

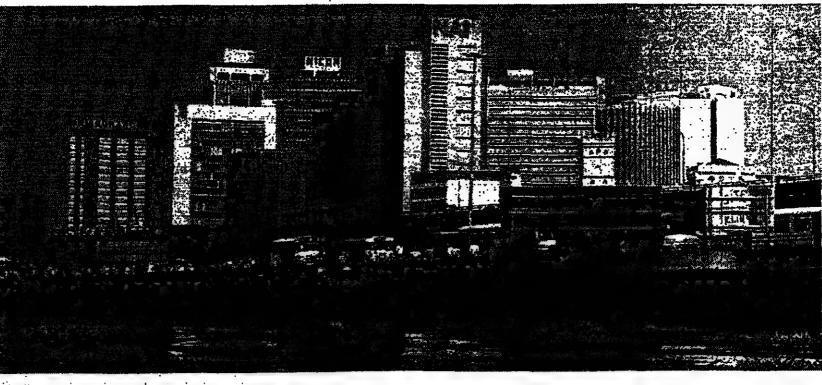
NIGERIA WENT from boom to long as it remains a net taken steps to improve the clibust in the 1980s. Whether the exporter of capital to service mate for foreign investment — country can recover from this external debt? Or are radical although much remains to be debit-relief measures urgently needed, linked to continuing and closely supervised

For Nigerlans themselves. the critical question that then arises is painful; can their govrent military administration of President Ibrahim Bahangida. or the civilians who are scheduled to take office in 1992 - be trusted to use additional resources honestly and effi-

Since mid-1988, Nigeria bas been pursuing — sometimes erratically — a radical over-haul of its economy.

The most important measures include trade liberalisation and the ending of the corrupt import licensing system, an exchange rate policy which has seen the devaluation of the Naira from 180 US cents to 12.5 cents, and a privatisation plan-

The agricultural sector has henefited from the abolition of government-controlled commodity boards, while export crop production has been encouraged by the realistic



NIGERIA

External debt management has also improved markedly. The near-chaotic state that marked the mid-1980s, when government had accumulated some \$5bn of uninsured trade debt in addition to arrears on London and Paris Club obligations, is over. Promissory notes were

issued against the trade arrears, and the IMF imprimatur on Nigerian sconemic pol-icy has paved the way to a continuing series of London and Paris Chib reschednlings.

The reform process is not complete, and implementation has often been week. But hav-ing taken measures to remedy the inflationary budget of 1988, Nigerian policy makers can argue that the framework of the structural adjustment programme is now broadly in However, the bottom line of

the country's economic bal-ance sheet remains deeply dis-quieting. On current projec-tions, external debt-service \$6bn a year until the late 1990s. Allowing for direct investment The Government has also into the oil and ses sector) and

ible with the recovery of a debilitated economy. It is this issue that external supporters of Nigeria's adjustment programme must now confront.

Last year's GDP growth of about 4 per cent should be set against the country's rate of population increase of over 3

per cent a year.

A rapidly growing popula-tion - expected to reach 150m by the year 2000 - and sharply declining export receipts (\$26bn in 1980 to \$9.4bn last year) has led to a dramatic \$1,090 in 1960 to around \$250 lest year.

Unemployment is growing, and the country's intrastruc-ture and social services are deteriorating: the telephone system is unreliable; power supply is erratic; the transport fleet is ageing; many industries need re-equipping; schools, uni-versities and hospitals are poorly equipped; and environ-mental problems in northern Nigeria are mounting as deseriffication enthers pace.

Growth in the oil and gas sector, where a multi-billion dollar investment programme

and inflows of \$1bn, Nigeria is under way, does not offset will need to run a large current account surplus in order to service its debt.

This situation is not compatible with the recovery of the structure of

Creditors considering Nigeria's case can be forgiven, however, for treating it with caution. Whatever the theoreti-cal merits of debt reappraisal, Nigeria's track record efforts since 1986 notwithstanding - does not inspire confi-

Corruption remains endemic: vested interests continue to stand in the way of some reforms; management is weak, implementation slow.

One of the first questions creditors might raise involves two of the country's white ele-phants. The \$3bn Ajackuta steel project, which the Gov-ernment is determined to pur-sus, albeit in modified form, is certain to be a net lose of foreign exchange if and when it comes into full produc-

Spending also continues at Abuja, conceived on a grandiose scale when oil earnings were high. Today, it is a burden rather than an asset. Creditors may well ask why debt relief should help fund, albeit indirectly, two extravagances.

Economic review; Profit analysis

IN THIS SURVEY

make the most of further

opportunities for enrichment. One major concern is that government's imposition of a two-party system is likely to exacerbate, rather than resolve, the North-South, Moslem-Christian division. And with the party manifestos written by government officials. the one hardly distinguishable from the other, the exercise has been greeted by apathy and cynicism.

Budget targets for 1990 are also at risk. The cost of establishing the parties from scratch in all 21 states comes out of government funds, while a complex and expensive administrative structure oversees the transition exercise.

There are several sources of patronage to draw on, whether kick-backs from state and Federal government contracts, or from the funds of several organisations, including the Directorate of Food, Roads and Infrastructure, the newly created Peoples Bank intended to dispense low interest loans to farmers and small businesses, or the Better Lives for Rural Women scheme, all of whose accounting practices are some-

Although hopes are pinned on what is termed the "new breed of yet-to-emerge politician (former politicians have been banned from participating), these hopes strain credi-bility.

Few Nigerians believe that the days of vote-buying and influence peddling are over, and the likelihood is that soldiers as well as ex-politicians will be active behind the

Mennwhile some of the mea-

sures under way may well run foul of the vested interests

which have undermined past

For example, there is little reason to believe that current efforts to rehabilitate Nigeria

Railways will have any more success than the attempt in the

early 1980s by a team from Rail India Technical and Economic Services. It was defeated by the

combination of a powerful road-trucking lobby and unco-

operative senior railway staff. Nor is the problem of weak

management susceptible to quick resolution. Successive political purges and ill-conceived "reforms" of the country's civil service have left a thin layer of competence in the part of the properties.

upper echelona, presiding over a generally inefficient, over-staffed bureaucracy. One issue above all, how-

ever, dominates Nigeria's

short-term prospects: the politi-cal and economic implications of President Babangida's plan

to return the country to civil-ian rule in 1992. The commitment is a mixed

blessing. It is a vital safety valve on the one hand, but also

carries the risk that economic discipline will be relaxed as

political campaigning gets

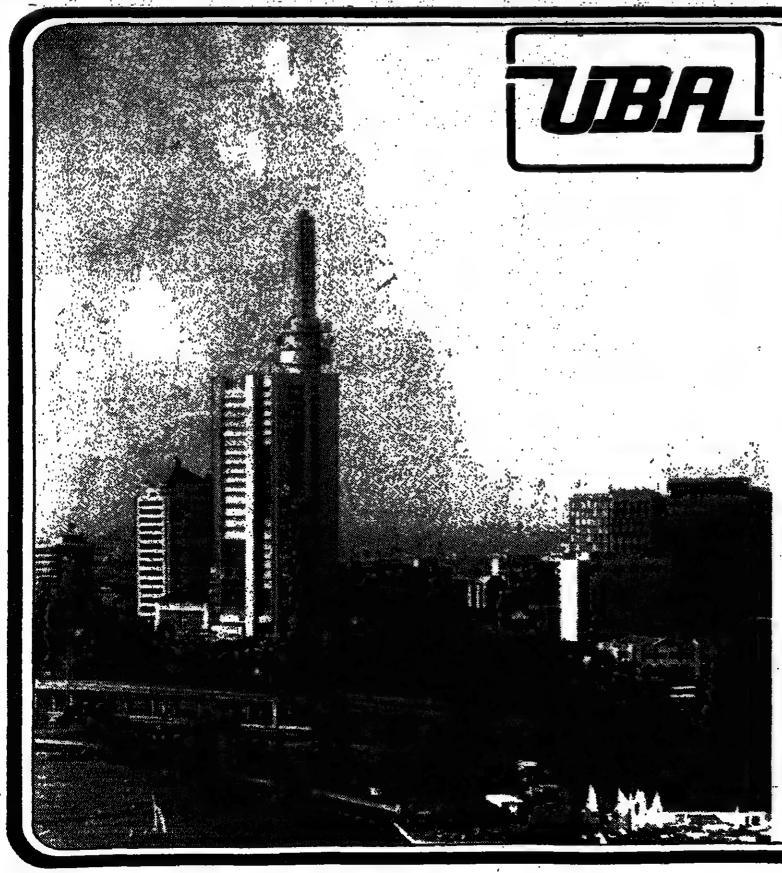
under way, and army officers

Implications for the integrity of the electoral system aside, loose spending could well fuel inflation and destabilise the exchange rate – two developments which would set back

the recovery programme. Yet even if President Babangida had second thoughts about the transition timetable, it is difficult to see a way out of a commitment that looks premature. A referendum which asks Nigerians whether they would support an exten-sion of the military govern-ment's term in office is being canvassed in some quarters, but the answer is more likely to be No than Yes.

All these factors make the sures difficult to argue,

It would thus be understandable if Western creditors and donors opted for a continua-tion of a relationship which keeps Lagos on a tight finan-cial leash. But this carries the growing risk that the social pressures which are building up in Africa's most populous nation could well disrupt Presdent Babangida's economic adjustment programme.



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Michael Holman discusses the 'slow and sluggish' transition to civilian rule

Pathway to democracy uncertain

KEY FACTS Area: 923,768 sq km Population: 110m (estimate) 1989; 28,814 1988; 30,553 Nominal GDP (\$m) 1989: 19,857 1988: 19,204 Real GDP (\$m) ... Real GDP growth (% change) Real GDP growth (% change) ...1988/89: 3.4% 1987/88: 4.2% Destination of exports US W Germany40.0% Main Imports in 1988 Machinery and transport equipment (\$m)
Manufactured goods (\$m) 1,260 Chemicals (\$m) Origin of Imports 9.8% France 10.7% W Germany ,1989: 32,950 1988: 30,700 1989: 1,451 1988: 593 1989: 114.4% 1988: 100.5% Interest payments/exports 1989: 15.3% 1988: 15.9% Manufacturing production (Volume Index 1982 = 100) 1989 (estimate) Money supply .. 37bn naira 1989 (estimate)

Currency: 100 kobo = 1 naira

Exchange rate: 1989 (average); \$ = 7.32 naira

AS NIGERIA takes the first steps down the road to civilian rule, doubts are growing about the viability of the democratic structure designed to take the place of the country's military

Three decisions, as impractical as they are well meant, make it probable that the civilian government, scheduled to take office in 1992, will be intrinsically fragile.

The first, taken in 1987, is a ban which prevents former pol-iticians and government office holders from taking part in politics. The intention was to encourage the creation of a new breed of legislators unsuilied by the corrupt, pork-barrel tactics that was the hallmark of the 1979-1983 civilian administration of President Shehu

Shagari.
Saddled with responsibility
for encouraging this moral
transformation is the Directorate of Social Mobilisation. launched in 1987 and popularly known as Mamser, the acronym drawn from its slogan: "Mass mobilisation for social justice, self-reliance and eco-

about Mamser, pointing out that the military government is itself hardly a model of probity for the new Nigeria.

It is also generally believed that behind every "new breed" candidate will almost certainly be members of the old guard, bankrolling campaigns in return for post-election **ERVOURS**

The Government decided to allow only two parties

The second decision was also taken in 1987, and is widely regarded as likely to exacetbate the very divisions it is intended to avoid.

The government decided that only two parties would be allowed, in an effort to over-come the tendency for Niger-ian politics to reflect the country's main ethnic constituencies - Hama-Fulani in the north, Yoruba in the south, and Ibo in the east. Critics have argued that the two-party system may well encourage the electorate to divide along religious lines,

and the largely Christian

The next questionshie move came last October. No fewer than 13 newly-farmed parties had applied for recognition. None measured up to govern-ment's expectations. "Old lines of cleavage - ethnic, geopoliti-cal, religious and class - surfaced in hold relief," President

Babangida told the country.

Membership claims were
often spurious, ostensibly new parties had "deep roots in the party politics of the First and Second Republics", and politi-cal associations "were being hijacked by money bags", or wealthy businessmen. What was more, the Presi-

dent said, former politicians and government office holders, had indeed been at work behind the scenes, despite the

President Babangida amnounced that all 13 parties had their claims for recognition turned down, and govern-ment took its third contentious decision. It set in train the cre-

reflecting a divide between the predominantly Moslem north Republican Convention (NEC) on the "right".

The manifeston of the two parties, drawn up by govern-ment officials, have not so far evoked any enthusiasm.

One reason is that there are few major differences between the two parties. Both manifeston express sup-

Manifestos of the parties have not evoked enthusiasm

port for the government's structural adjustment programme, and both prope easing ahead with the Aiaokuta steel project, the country's multi-billion-dollar white

hent Both advocate "self-sufficiency in agriculture", although votes may be won or lost by the NRC's encourage-ment of "fish farming by individuals and private organisa-tions", a subject on which the SDP is silent.

The latter tends to strike a more populist note, offering free soncation at primary and

the SDP's somewhat more cautions commitment "ultimately" to provide free education at all

Much to the inditation of government officials, some scep-tics have already decided that these two berely distinguish-able platforms will take second place to more fundamental ethting that the first letter of gesting that the first letter of the party acronyms stand for Northern and Southern respec-

tively.

It will be possible to gauge the reaction of voters to the imposition from above of what the government terms "grass root democracy" when the registration of party members gets under way later this month. The omens are poor, how-

Commenting on the process recently, the Lagos-based Guardian newspaper spoke of "public apathy and cynicism". The "slow and singgish" execugramme, the paper warned, raised "doubts as to whether the government will be able to meet the target date of October 1992".



Members of the Armed

Forces Ruling Council CHAIRMAN:

r-Admi M.A.B.Elec

Cabinet (Council of

Ministers) AGRICULTURE AND NATURAL RESOURCES Ismails Mammen AVIATION T.O.Graham-Douglas BUDGET AND PLANNING CULTURE AND SOCIAL WELFARE EDUCATION BE EXTERNAL AFFAIRS EXTERNAL AFFAIRS (Minister of State) _____Eyorus ita Eyorus FINANCE AND ECONOMIC Commodore Lamba Dung Gwom ... PETROLEUM RESOURCES SCIENCE AND TECHNOLOGY COMMUNICATIONS. EMPLOYMENT, LABOUR AND

Yahaya

Yahaya WORKS AND HOUSING Brig Mammen Kortagora

Programme for elections

Phased process

MIGERIA REMAINS set for a return to civilian rule, in a phased process which culminates in presidential elections in 1992, and the inception of the third republic since independence in 1980. In January 1986, President Brahim Bahangida announce that his military government would hand over power to a

civilian government on October 1, 1990. The following year, the completion date for what is a gradual transition to civilian rule, rather than the single handover that took place in 1979, was put back two years to

But the President has frequently repeated his commitment to the process and

the target date.
The timetable, nevertheless, had to be revised following last October's decision to disband

the 13 political organisations vying for recognition under the two-party system adopted by

None of the candidates had met the Government's criteria for recognition, said the President.

Instead, he announced the creation from scratch of two parties: one to the left of centre, the other to the right, in the words of President

These two bodies will be competing for power under a new constitution, which was drawn up by a constituent assembly, part-elected, part-nominated, which sat in

The constitution envisages an executive president, a bicameral legislature and 21 state assembles.

Michael Holman Presidential elections on October 1; handover of power,

Timetable

THE Government's amended transition programme is based on the following timetable:

Second Quarter 1990

The two authorised parties - the Social Democratic party and the National Republican Convention - to register members and hold congresses at ward and local-government levels.

Third Quarter 1990

Congresses to be held at state and national levels. Final draft of manifestos submitted to Armed Forces Ruling Council, the country's executive body, for approval.

Fourth Quarter 1990 Local government elections.

First Quarter 1991 Inauguration of local-government councils. Start of national census.

Second and Third Quarters 1991

Fourth Quarter 1991

Election of state assemblies and state governors.

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farmland in Sokoto State. About 100 Nigerians are gainfully employed in the farm. Besides this, another 10,000 hectare of Rubber Plantation at a cost of N150 million has also been acquired at Ajegunie/Onishere in Ifesowapo Local Government Area of Ondo State. The produce from these farms will be sold in the Nigerian Markets and where possible export some to overseas markets. Arrangements are in the pipeline to acquire more land in Gongola, Cross River, and Niger State for Agricultural purposes.

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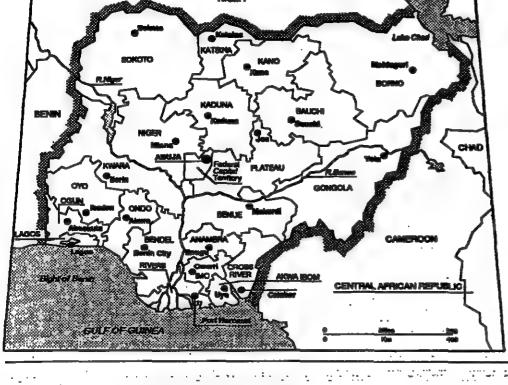
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Poised for modest growth

AFTER a decade of imports will have to take the package could be sold politicates trophic economy is potsed at the Nigerian economy is potsed.

Given Nigeria's high level of major reduction in the foreign for a period of modest growth, provided policy-makers can keep their resolve.

Blown off course in 1988/89 by premature fiscal reflation and excessive credit expansion, Nigeria's structural adjustment programme (SAP) is now back on track, largely because of the liquidity squeeze imposed in

ment of 25 to

res Re 1 Con

SMERTING COURSE

But as the return to civilian rule in 1992 looms ever larger, so the likelihood of policy slip-page grows. More serious is the danger that, unless major debt reduction is achieved before the big-spending civilians return to power, the next government will come under

Gross national product

	(\$ per head)	
1980		1,021
1981		1,000
1982		1,117
1983		987
1004		902
1985		950
1986		704
1987		380
1000		280
1989	(e	at) 250
Se	cures: World Bank and own	atimates

intense pressure to renege on tions, especially if the next regime disowns the reform pro-

Indeed, after a period in which policy-makers have been preoccupied with domestic stahilisation – the exchange rate, the budget and monetary pol-icy – debt strategy has now moved to centre stage. Official projections show debt-service payments growing from \$2bn in 1988 to \$3.3bn this year and an average of \$4.2bm a year — about one third of forecast exports - for the next seven

Even after allowing for aid inflows of \$1bm a year — which might just be sustainable if Nigeria adheres rigidly to the discipline of its structural adjustment programme - and new direct investment, largely in the energy sector, of \$700m annually, the country would still face a financing gap of

\$2.5bn each year. It can, and will, be eased through debt-rescheduling, but in the absence of substantial debt forgiveness or buy-backs,

import dependence, this debt burden.
implies sluggish growth of no if the West really wants to more than 4 per cent a year, which with population growth of 3.2 per cent means it will take 40 to 50 years to regain the living standards Nigerians enjoyed in 1980. It is very doubtful whether

the country's political and social fabric can survive another decade of austerity. And yet, unless energy exports, already projected to grow at 10 per cent a year, expand substantially faster, or there is a sudden, and unexpected, reversal in western per-ceptions of lending to or investing in Nigeria, debt relief is the only strategy that would allow faster growth in imports

and output. Because Lagos is implementing sound macro-economic pol-icles and is servicing its for-eign debt on time it can be argued that Nigeria deserves a

One option, which the World Bank, the IMF and Britain. would support, is an extended structural adjustment facility (ESAF) loan from the IMF which, topped up by other donors and some of Nigeria's own oil surplus, could be used to buy back the \$4.50m of com-mercial debt at a deep dis-

There are many its and buts in this scenario, not least the deep-seated domestic political antagonism towards drawing on Fund facilities. But such a strategy would, at a cost of less than \$2hn eliminate \$4.5bn of

Blown off course in 1968/89, the structural adjustmentprogramme is now back on track

commercial debt - about 15

per cent of the total \$32bm saving some \$700m a year in debt-service expenses. However, if the ESAP facility is no more than \$250m or so - as has been mooted - the Nigerian government might well conclude that the political cost of going back on its pledge not to draw IMF funds would be too great. The only way the

boost the still-fragile Nigerian economic recovery, an imagi-native debt strategy is essen-tial, but it is far from clear whether the donor community and the commercial hanks are

and the commercial banks are prepared to accept this.

The French, for instance, increasingly aware of the deteriorating economy of Francophone Africa — for which they are partly to blame — want parity of treatment for a country such as the Ivory Coast. This explains why France has come out against soft Toronto-style debt terms for Nigeria. In the weeks and

	Ė	ch		rate	
					
Year	· .	_		Heli	n per t
1980		٠	٠.٠	•	0.546
1981		•			0.614
1982		:			0.673
1983	. ,				0.724
1984	P 6				0.784
1965					0.862
1986 . 1987		•			1.847
1988		-			4.482
1988					7.480
1000			<u>.</u>		
				-30	uros: F4

months ahead, first in Washmonths anced, first in wash-ington when the country's IMP programme, due to lapse next month, is renegotiated, and then at the next round of Paris Club recheduling, the donors and Nigeria will need to develop a debt strategy that recognises that sustained eco-nomic growth of more than 5 per cent a year is simply incompatible with net capital exports above \$2km annually throughout the 1990s. Lagos seems set to take a tough line with its creditors arguing that without debt relief, the adjustment programme will end in

Provided three conditions are met - a significant reduc-tion in the debt burden, a gentle rise in oil prices and continned effective implementation of economic reforms - the medium-term economic out-look is probably brighter than at any time since the late

the structural adjustment programme, launched in Angust 1986, are the managed devalua-tion of the naira from 120 US upon spending targets being

today, trade liberalisation with the abolition of import controls and the 30 per cent import surcharge, a revised tariff struc-

ture and an export promotion scheme for non-oil exports. A year, ago, exchange rate policy was in disarray with a gap of more than 40 per cent between the auction or official rate. Although there is still a 10 per cent to 15 per cent gap between the auction and paral-lel market rates, this is a reflection of market segmenta-

tion rather than excess demand for the currency. Clearly, this slump in for-eign currency demand will be short-lived. Consumer spend-ing collapsed last year in the face of rapid inflation — retail prices rose 41 per cent - and the liquidity squeeze. But as

the liquidity squeeze. But as inventories are run down and wages increased later in the year, demand will start to recover, especially if there is a good agricultural season.

For the time being, the naize looks set for a period of stability. Much will depend, however, on oil prices and government's ability to maintain its tight grip over the money suptight grip over the money sup-

ply.
The outlook for inflation has improved dramatically, though inevitably there is much con-troversy over the published fig-

One unofficial price index put inflation at one stage last year at 74 per cent, against the official 41 per cent. However, this same index shows the rate down to 36 per cent by Jamary 1990, confirming the official picture of rapidly-falling inflation.

vary widely, with a consensus suggesting that the rate could be kept below 20 per cent given good rains, a relatively stable nairs and unchanged fiscal and monetary policies.
Indeed, the fiscal stance is tighter than it looks, since the

Inflation forecasts for 1990

revenue forecast assumes an oil price of only \$15 a barrel. If oil prices continue to average \$19 a barrel, revenue could be more than 7bn naira higher than forecast, which would haive the deficit from a projected 14 do naira to less than 75bn naira or supportunately 4 7.5bn nairs or approximately 4 per cent of GDP, down from 10 per cent last year.

However, this is contingent

met which is highly problematical for two main reasons.

First, the political imperative — the need to grease ing's share.

wheels as the electoral process gathers momentum - but, sec-ond, the likely underestimate of the inflationary impact on The budget projects a 30 per

cent rise in recurrent spending, implying that real expenditure growth can be kept to around 10 per cent, which looks to be highly optimistic. But slippage in public spending need not be a scient mobile of the street whether the center of the second series of t a major problem given the conservative oil price and exchange rate forecasts on which the budget is based.

public spending.

diversification of the economy, but this is hardly surprising since structural change is bound to be a very gradual pro-case. Indeed, preliminary 1889 statistics suggest that the non-oil share of GDP (at current prices) has shrunk from more than 80 per cent in the early 1980s to around 68 per cent, mainly because of a steep

decline in the share of services and a major fall in manufactur-

While volumes of non-oil exports have doubled, in value terms at \$900m in 1989 they were worth less than the \$1bn earned 10 years ago. The good news is that nontraditional exports of manufac-

it is doubtful whether the country's political and social (abric can survive another decade of austerity

tures rose from less than \$100m in 1986 to \$600m in 1988, though much of this trade is more the replacement of goods smuggled into neighbouring countries when the naira was overvalued but which are now competitive in their own right. There are some signs, too, of reduced import dependence, though with manufacturing

industry importing 70 per cent of its requirements, but the gains here appear to have been only modest. Indeed, rapid deterioration of the infrastructure and a capacity utilisation rate of only 30 per cent in manufacturing are testament to

continued import-dependence. Other positive achievements include real growth of 4 per cent a year since 1987, a marked recovery in agriculture and the launch last year of the ambitious privatisation pro-

On the debit side, unemployment is rising very sharply, while investment at 13 per cent of GDP is simply inadequate to the task of restoring economic growth at a time when infrastructure and the environment are deteriorating at an alarm-

Hopes that foreign investment will revive seem unlikely to be fulfilled, though inward investment of more than \$500m a year in energy is forecast. Originally, foreign investmen

high-risk but high-return environment. The days of one- or two-year payback periods have long gone, and soaring invest-ment and infrastructure costs will deter new capital, especially with Eastern Europe likely to become the flavour of

All of which underlines the

If the West wants to boost the economic recovery, an

imaginative debt strategy is essential necessity of debt relief, dedi-

cated and improved policy implementation, and a redoubling of efforts to mobilise domestic savings, currently below 8 per cent of GDP.

But even if these conditions are met, most Nigerians can expect little more than a very gradual improvement in their

Sales volumes contracted sharply in 1988/89 but . . .

Rapid inflation boosts profits

RAPID inflation did wonders for corporate profits in the Nigerian economy in 1988/89. The results of 50 public quoted companies show that while turnovers rose 37 per cent, pre-tax earnings were up 63 per

The 37 per cent increase in turnover suggests, even on offi-cial estimates of 41 per cent inflation, that sales volumes were at best flat and more probably, declined. Indeed, businessmen agree that volumes contracted sharply in the latter half of the year in response to the liquidity aqueeze and declining purchasing process as inflation ended.

ing power as inflation eroded disposable incomes. This appendictal evidence is supported also by business estimates of declining capacity utilisation, falling demand for foreign exchange and involuntary inventory accumula-tion. That profits should have done so well under these conditions is largely attributable to inflation. Firms raised prices in anticipation of the cost infla-tion caused by the sharp depre-ciation of the naira from 4.5 naira to the dollar in 1988 to 7.5

natra last year.
Handsome holding gains were achieved though the process was self-defeating to the

escalated so consumer resiswas a 5 per cent decline in prices in the latter half of the year despite continued strong upward pressure on costs. This will impact on 1989/90 profit figures which are expected to show a murked slowdown.

The profit numbers are also misleading in that, when expressed in foreign currency terms, they were little changed last year. In other words, foreign companies found that the 62 per cent rise in earnings was offset by naira devaluation, so that dividend remittances did not increase.

Margins improved from 10 per cent (pre-tax profits as a proportion of turnover)in 1988 to almost 12 per cent last year. Unfortunately, not only was this well below the 16 per cent reported in 1985/6 and 12 per cent in 1986/7, but it is also likely to prove shortlived. This is because prices are being low-ered in response to consumer, resistance and market competition while costs, and especially, interest expenses are biting deep into corporate earnings, especially since many firms are carrying much larger inventories than they would like.

Inflation % change over previous year

O 1081 1983 1985 1987 1986 Source Federal Office of Student

Indeed, ironically, the large inventories which during the years of foreign exchange scarcity were a guarantee of profit-ability are not a drain on the corporate purse. In fact, it is often possible to

import more chasply today than a year ago. This is so since in early 1989, firms were forced to buy a large propor-tion of their foreign currency requirements in the autonomons market at rates as high as 10 nairs or 12 nairs to the

Now, they can get all the for-eign currency they need at 8 naira to the dollar. Accord-

ingly, imports landed in 1990 are being priced at a discount

This year, turnover growth will be much slower, possibly below 20 per cent, though a great deal will depend on the inflation performance in the

On the profit side, margins will fall below 10 per cent to their lowest levels for 10 years, though many companies will continue to produce surprises by virtue of tough cost con-

Commendable though this may sound, it has its darker side in the context of inadequate spending on plant renewal and on training pro-

have fully depreciated their capital stock and are almost certainly underproviding for capital replacement. Official estimates suggest the replace-ment cost of capital equipment has risen between 400 per cent and 500 per cent since 1984. The combination of escalat-

ing investment costs and borrowing costs in the region of 30 per cent will encourage managers to make existing plant last longer, usually at the expense of quality and competitiveness in international markets.

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PRIVATISATION

Programme ahead of target

ALTHOUGH a growing number of African countries have adopted privatisation, few are able to claim that their programmes are ahead of target. According to Dr Hamza Zayyad, chairman of the Technical Committee on Privatisation and Commercialisation (TCPC), Nigeria's far-reaching programme is six months ahead of schedule and he is "very confident" of completing it before the return to civilian rule at the end of 1992.

So far, 39 of the 90 stateowned businesses targeted for privatisation have been sold off or liquidated, and a similar number will be disposed of this year. But the 1990 programme will be more difficult, partly because several of the smaller and more saleable ventures have already been privatised, and also because the absorptive capacity of the Nigerian capital market will be increasingly put to the test.

Three main techniques are being used to privatise operations that have been partor wholly-owned by the federal or state governments. The most important has been public share offers with a total of 95.3m shares sold last year for 142.5m naira (\$19m). Almost half was raised with the sale of Africa Petroleum Ltd and National Oil and Chemical Marketing for 66m naira.

Marketing for 66m naira.

Dr Zayyad says that in 1990/
91, the capital market will have
to provide about 1bn naira
each year, and there are very
real reservations as to its
capacity to raise this level of
funding, especially when interest rates are at historic highs
and there has been a rash of
private sector rights issues as
companies replace costly loan
finance with cheaper equity.

The 143m naira raised last

The 143m naira raised last year represented about 17 per cent of new flotations on the Nigerian Stock Exchange, and unless there is a marked falloff in private sector activity, of which there is no sign at present, a serious crowding out problem will develop. Some enterprises cannot be sold as going concerns and these have been privatised by selling off the assets. The third route is private placement which is

likely to become more important now, partly because it is quicker and easier than public issues but also because it opens up a different category of buyers, in the form of both local and foreign firms.

In the first quarter of 1990, two offers have been launched — one for Nigerian Yeast and Alcohol Manufacturing Co (32m naira) and a much larger one for Ashaka Cement Co (39m naira). Later in the year, the Government plans to sell its holdings in a broad range of enterprises from hotels to palm oll processors and from breweries to development banks. The really difficult mega-sales will come in 1991 when the committee plans to sell off Nigeria Airways, and large industrial vantures such a the National Fertilizer Company, three steel rolling mills and National Paper and Nigeria

Newsprint Manufacturing.
Formidable though they are, the challenges of the privatisation programme pale into relative insignificance compared with those of commercialisation. The TCPC has completed

diagnostic word on 32 of the 35 enterprises to be commercialised — significantly, the two large steel investments, Ajaokuta and Delta steel are being treated separately. Twenty-four enterprises are to be partially commercialised.

The remainder will be expected to become financially will outlinent - Infl commercialisation. Dr Zayyad foresees four significant threats to commercialisation.

In The need to restructure the finances of many of the parastatals so that they will be able to pay their way. He hopes the World Bank will lend Nigeria \$300m to refinance and rehabilitate rundown and undercapitalised enterprises. While the Bank is keen to back what it sees as a long-overdue package of reforms, it is unlikely to come fix ward with the necessary volume of support.

In A second prerequisite is the recruitment and training of the skilled personnel needed to

implement a programme of fundamental change throughout the parastatal sector.

If Perhaps the most difficult challenge of all is that of changing the enterprise culture. In Dr Zeyyad's words, there are "too many parasites who have turned these institutions into patronage centres".

If inally, there is the question mark over the return to civilian rule itself — the danger that the civilian government which takes over in 1993 will lack the commitment and authority to make commercialisation stick. Certainly, the well-intentioned reform programmes of previous adminis-

trations collapsed when they ran up against the combination

of bureaucratic inertia and

vested interests that has dominated the Nigerian public sector since independence.

The importance of the programme cannot be exaggerated. During the 1982/88 period the Federal government pumped loans of 5.5km nairaabout 1 per cent of GDP — into the state enterprise sector. The largest single recipient by farwas NITEL (the telecommunications parastated) with 1.1km naira, followed by the steel sector with 950m naira, NEPA. (the electricity utility) with \$00m naira and the railway network with 600m natra.

Tony Hawkins

FROM AN African viewpoint, far-reaching political and economic change in Europe could hardly have come at a worse time.

The opening up of entiting new investment opportunities, both in East Europe and the EC, with the creation of the single market in 1992, is bound to reduce new foreign investment in Africa.

Aid dependence has

increased dramatically and, with it, recognition that African countries must attract private foreign capital, because aid flows are proving inadequate, qualitatively as well as quantitatively.

Nigeria is by far the largest-recipient of foreign investment

Nigeria is by far the largest recipient of foreign investment in sub-Saharan Africa (excluding South Africa). Since 1981, inflows have exceeded \$4hn more than half the total for the region as a whole. For an economy accounting for roughly 20 per cent of regional GDP, this might seem to be more than astisfactory, but there are three main snags.

The most serious is that the

The most serious is that the volume of capital repayments averages \$4hn a year (before rescheduling). Add to this a current account deficit of \$2hn in 1988, and a huge financing requirement of \$6hn amerges. Since 1986, Nigeria has been a substantial net exporter of capital — a condition simply incompatible, with self-sustained economic growth. While debt redemption and cancellation may narrow the gap, it has no positive impact on domestic economic activity.

domestic economic activity.
The second problem is that
most of Nigeria's capital inflow
is targeted on the energy sector — all exploration and
erpansion and the development of the LNG project. The
dangers of aid dependence are
compounded by growing
dependence on the energy
enclave. In other words, "structural" adjustment is not taking
place.

The third, and most recent, is the emergence of a disturbing trend towards disinvestment — most noticeable, perhaps, in banking. Barclays has already left, while the Bank of Amarica, the Bank of Boston, Chase Manhattan and First Chicago are in the process of extricating themselves altogether, or reducing their Nigerian exposure. In manufacturing, a similar picture emerges — British Leyland, Wiggins Taspe, Tate and Lyle, Sanyo

ing, a similar picture emerges

— British Leyland, Wiggins
Teape, Tate and Lyle, Sanyo
and iCI.

But the flow is not all one
way: Coca Cola is to invest
\$13m in a new wholly-owned
Nigerian subsidiary. This is
particularly significant,
because it marks a major pol-

INVESTMENT

Africa may come second

icy reversal following the 1990 Nigerian Enterprises Promotion decree, which allows foreign firms to own 100 per cent of the equity in certain activities. The previous (1977) decree contained, three schedules, identifying activities that must respectively be 100 per cent, 60 per cent and 40 per cent Nigerian-owned. The new decree abolishes two of the schedules while reserving 40 activities for 100 per cent local ownership. But, even here, exceptions are possible, provided the business has a capital in excess of \$2.5m, which escape clause has been applied to Coca Cola.

However, the new law is seriously flawed in the distinction made between new and existing investors. Unless the regulations are applied much

mined to put the ambiguous new decree to the test, on the argument that, if Lagos is serious about wanting to attract new foreign capital, allowing existing firms to regain majority control of their own businesses would send a positive signal to potential newcomers.

Optimists point to last month's signing of a bilateral investment protection treaty with France as evidence of a new mood. Some bankers report significant new foreign investment by smaller-scale Indian-owned firms, while it was launched, some \$320m of new investment has been undertaken through the debt-conversion programme.

But in Lagos, one quickly detects a marked reluctance on

Heavy-handed bureaucracy and narrow-minded chauvinism continue to dominate the country's industrial policy

more flexibly than seems probable, foreign firms already invested in Nigeria will not be allowed to secure 100 per cent, or even; in many instances, majority control, of their busi-

A possible loophole is the creation of an entirely new subsidiary, but the authorities seem likely to block such a maneeuvre, which has many disadvantages anyway in terms of loss of brand-names and costs of restructuring. Some firms, though, are detar-

the part of European, North American and even Japanese businesses to commit new capital in Nigeria. The reasons are not hard to find. Not even the most patriotic Nigerian would describe the business environment as investor-friendly.

Investment costs are high —
probably twice their level in
East Asia — while returns on
investment are less than half
those available on the Pacific
rim. Tax rates are high, too,
while the infrastructure is
inadequate and unreliable, for-

cing companies to operate stand-by generators, to spend heavily on security and absorb substantial pillerage costs.

substantial pilferage costs.

The telephone system is a disaster, and the railway network is in disrepair. While the authorities are willing to grant multiple entry visas, obtaining them is both time-consuming and frustrating. Expatriate quotas are rigorously applied. In sum, the investment environment is inhospitable.

ronment is inhospitable.

This is acknowledged in government, but progress towards creating a more positive investment climate is depressingly slow. It has taken more than a year to translate the 1988 industrial policy blueprint into a decree. The record of the Industrial Development Co-ordination Committee (IDCC) - Nigeria's version of a one-stop investment agency - set up in January 1989, is hardly reassuring. In its first nine months, it considered 167 applications for business permits, approving only 36, and granting 23 expatriate quotas. Less than half the firms seeking Pioneer Status were approved, while only one in five of those seeking Approved Status were suc-

detected "unhealthy trends" in some applications, including the purchase by foreigners of wholly-owned Nigerian businesses and the buying out of joint-venture partners by foreign investors.

eign investors.

The IDCC's firm assertion that expatriate firms, while free to own 100 per cent of unscheduled new businesses, cannot buy out existing ones, suggests that, for all the talk of market-oriented policies and deregulation, heavy-handed bureaucrae chauvinism continue to dominate the country's industrial policy.

Tony Hawkins



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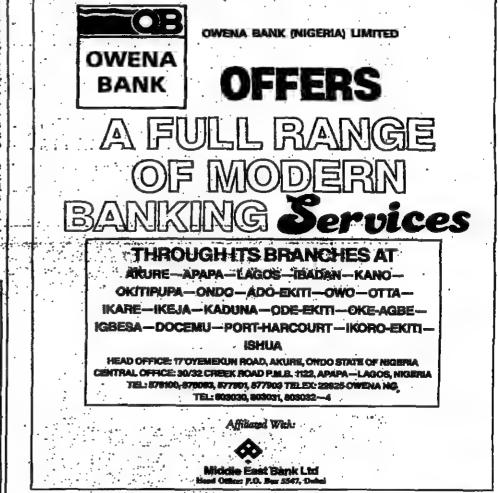


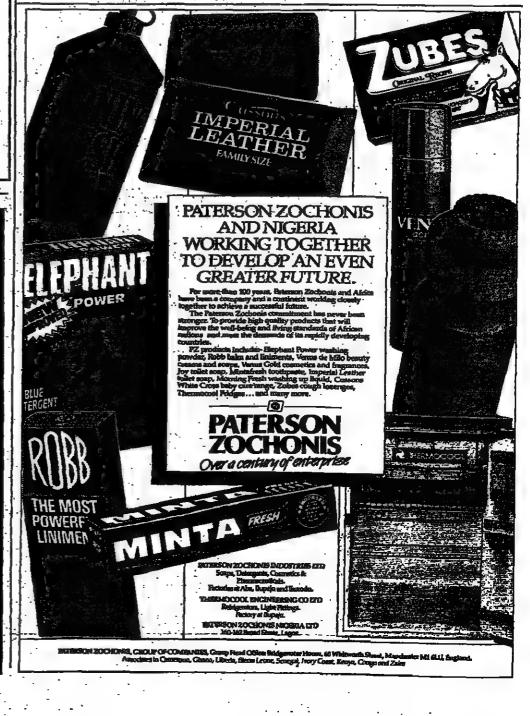
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THE FALL of Nigeria's foreign trade since 1981 has been painful for importers and foreign suppliers slike. In the past five years, Nigeria has been forced to husband a large trade sur-plus, totalling \$14hn in order to service its foreign debt - an outcome achieved largely by a tough strategy of import

repression.
This year, exports are forecast at \$10.5bn — less than half their 1980 peak of \$26bn while imports projected at \$6.9hn compare with a record \$19bn in 1981. The forecast \$3.6bm trade surplus will only just be sufficient to finid capi-tal repayments of \$1.2bn and interest of \$2.1 bm.

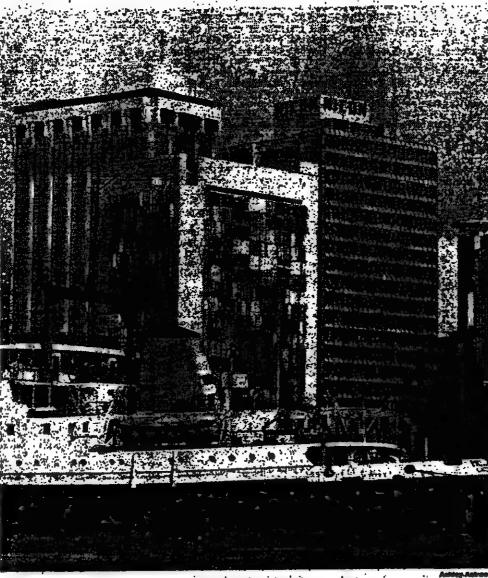
For the foreseeable future Nigeria will have to maintain large trade surpluses to finance debt-service payments increasing from \$3.8bn in 1990

Food imports have recently averaged less than 10 per cent compared with 15 per cent to 1983

Quantitative import controls used in the early 1980s were dismantled in 1986, to be replaced by a combination of domestic demand restraint and sequence, market forces working through the cost of credit, but more obviously, through the high price of imported goods have restricted imports to an average of \$6bn a year, less than a third of their 1981

Because manufacturing industry and investment are both heavily import dependent, the strategy has capped the country's economic growth rate, reduced industrial efficiency - caused by inadequate placement investment in infrastructure and capital equipment — without, as yet, equipment — without, as yet, fostering as much growth in import-replacement and non-traditional exports as hoped. Record to the early 1990s and the opening of Ecobank in Lagos with its sights firmly set on developing regional trade along the west coast, is a move in the right direction.

#73



Lagos dockside: Nigeria's foreign trade has dropped significantly since 1981.

quently cocoa prices fell, but also because exports of cocoa butter and palm kernels have declined. Given the unreliability of trade statistics in Africa, there are no detailed figures of the other — substantial —

IMF figures show these rising from only \$21m in 1985 to \$670m in 1988. The figure is a residual, based on the differ-Non-oil exports at \$600m a ence between oil earnings and year are lower than they were 10 years ago, partly because account of cocoa exports of

\$275m. Clearly, official exports of textiles, beer, building mate-ries and household goods have risen with the devaluation of the naira. The precise extent to which previously informal cross-border trade in the region of exchange rate realignment is unclear, but a realistic naira

exchange rate has opened up export opportunities in regional markets.

Three categories dominate imports — capital equipment including vehicles (40 per

cent), chemicals. (20 per cent) and miscellaneous manufacthres (25 per cent). Capital goods and raw materials used by industry between them account for 70 per cent of the total with consumer goods comprising 30 per cent. Imports of consumer durables, which in 1980/1 were massive, now account for a mere 1 per cent of the total. in recent years, food imports have averaged less than 10 per cent compared with 15 per cent in 1989, and this ratio should

Foreign trade (\$bn)

decline further as the government seeks self-sufficiency in food production: Trade is dominated by the US on the export side while Germany and the UK are Nigeria's main suppliers. In 1988, the US purchased just over half Nigeria's oil exports, while the Netherlands with 8

Disappointingly for the policy-makers, there ie no evidence of a reduction in import dapendence

per cent and France with 6.5 per cent were also important markets. Most (63 per cent)of recorded non-oil exports go to the EC, especially the Nether-lands and Britain which import Nigerian cocca.

Germany was Nigeria's main supplier in 1988 when it accounted for just over 16 per cent of imports followed by the UK with 15.9 per cent and France with 10 per cent. The US and Japan with market shares of just under 9 per cent each were also significant sup-

Disappointingly for the Nigerian policy-makers, there is virtually no evidence of a reduction in import depen-dence. The lesson is that price is not necessarily what mat-ters. Import replacement activities require a mix of invest-ment, technology entrepreneurial flair and, above all, technical expertise which all too often is not available in the manufacturing sector. This is just one more rea-son why new foreign investment is crucial to Niger-

Tony Hawkins

Debt-conversion programme gains popularity

A cheap way in

AS BANK liquidity dried up and interest rates rose steeply in mid-1989, so Nigeria's debtconversion programme gained

It provides an effective vehicle not just for funding new investment requirements at rates well below those rul-ing the Nigerian capital mar-ket, but also for boosting effec-

The conversion market had its origins in the build-up of trade arrears owed by Nigeria to foreign suppliers in 1982-83. These were converted into promissory notes; worth almost \$5bn. From 1986, the Nigerians fell behind with both interest and capital payments, and in 1988 the debt was res-cheduled. With the price of this paper falling below 20 cents in the dollar in 1989, potential investors could either buy paper in the secondary market or offer their own notes at the debt-conversion auction to buy naire at a very substantial

In the first half of 1989, with an exchange rate of 7.5 pairs to the dollar, an investor buying the notes at 20 cents and offering them at a 50 per cent dis-count at the auction was able to obtain 12.5 nairs for every dollar invested. Thus, a \$10m investment would buy 125m naira - 66 per cent more naira than the 75m nairs obtained at the official rate of exchange.

At recent auctions, the mechanism has become less attractive, partly because the naira itself has slipped to eight to the dollar, while the dis-count offered at the auctions has averaged 47 per cent. Clearly, the higher the discount rate and the cheaper the paper in the secondary market, the more advantageous the conversion for the foreign investor. Steady buying has pushed the secondary-market price of Nigerian paper above 80 cents, thereby narrowing the effective discount. As a result, a \$10m investment still buys 125m naira — but this is only 56 per cent more than the 80m naira available at the offi-

None the less, it is still a cheap way into the Nigerian market, compared with bank borrowing rates — if you are lucky — of the order of 37 per cent upwards. Its attraction will decline, though, if foreign

Beland	Balance of Payments (\$bn)				
	1980	1988	1990		
Exports (total)	7.400	9,400	10,500		
Oil	6,500	8,500	9,800		
Non-off	900	900	900		
mports	5,700	6,300	6,900		
frade balance	1,700	3,100	3,600		
Net Invisibles	-2,900	-3,000	- 3,900		
Current account	-1.200	- 100	-500		
Net capital	900	1,000	1,200		
Overall belance	-300	900	- 700		
Debt service flows					
Repayments	800	1,400	1,100		
Interest	1,300	1,500	2,200		
rotel	2,100	2,900	2,200		

firms and the Nigarian authorities themselves continue to push prices higher by buying paper in the secondary market.

To date, there have been 12 auctions at which a total of \$321m of foreign debt - not only promissory notes but also some commercial bank debt tion, more than \$120m has been converted outside the

At recent auctions, the mechanism has

attractive, partly because the naira has slipped to eight to the

programme are:

Execution of Nigeria's external debt and debt-service burden; The official objectives of the

Attraction of new foreign Encouragement of export-ori-ented activities, and Creation of a new incentives for the repatriation of flight

Capital.
There are strict guidelines governing the eligibility of investments, with priority for new, or expansionary, projects that offer a high employment content in manufacturing, agribusiness, mining and forestry. Conversion can also be used by shareholdings in existing Nigerian companies, and also

Indeed, several foreign companies have used conversion to finance their share of rights issues on the Nigerian Stock

Exchange.
The Government plans to deem 120m naira a month (\$15m at current exchange rates) in 1990. This target may not be reached with redemptions falling sharply from 130m naira at the ninth auction late last year to only 65m naira in

One reason for this is the decline in the effective dis-count resulting mainly from higher secondary-market prices for Nigerian paper, but there are other explanations, too. Round-tripping has been taking place, with firms using the auction to realise quick foreign currency gains. The Nigerian authorities are unhappy, too, about the use of debt conversion to reduce domestic bank borrowings. Businessmen have complained about the pace of disbursement of the nairs balances, but benkers say the central bank is not to blame so much as investors who have failed to produce all the required documenta-

Central bank insistence, prior to the auction, that the investor already own the promissory notes, is another factor inhibiting the process. But most serious of all is probably investor reluctance — even with the benefit of the discount — to not extra funds into the to put extra funds into the Nigerian market. At the end of the day, this remains the cru-cial obstacle to greater debt

Tony Hawkins



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FEW NIGERIAN industrialists were sorry to see the end of the - for many of them the toughest decade ever experienced. Manufacturing production, at constant prices, is lower today than 10 years ago. Capacity utilisation is esti-mated at 31 per cent - down nine points last year alone. In the food and beverage sector, employment has halved while a number of foreign industrial-

ists, from the UK's ICI to Japan's Sanyo have divested.
Small wonder then that Nigerians speak darkly of deindustrialisation, predicting that in the 1990s, the country will become still more dependent on its energy scalars. dent on its energy enclave. Manufacturing's share of

GDP rose from 10 per cent in 1981 to 11.5 per cent in the mid-80s, before falling to just over 8 per cent last year. What-ever the accuracy of these numbers — and they should be interpreted with considerable caution – there is no gainsay-ing the fact that an economy with such a large domestic market should, by now, have developed a far stronger industrial base. It's failure to do so is largely attributable to past policies based on high protection, overvalued exchange rates and the encouragement

of import substitution. The decline of the motor vehicle assembly industry illustrates Nigerian style de-industrialisation. The number of units produced is about 10 per cent of 1980 levels. Pengeot, with a capacity to assemble 70,000 vehicles annually, is producing 7,000 and Volkswagen about 4,000 when, at full tilt, it could assemble 50,000. Only 15 per cent of its inputs

LIKE AN unfit heavyweight boxer whose legs have gone, the Nigerian Labour Congress (NLC) has been beaten about the political ring by President Ibrahim Babangida. The NLC is the umbrella organisation for Migratic 12 congress trade for Nigeria's 42 separate trade unions representing about 5m workers. The rhetoric still

bravely proclaims workers' rights but it lacks clout. While the workers' pay packet has suffered from high inflation and a depreciating currency, the number of unem-ployed has also increased. Since the economic crisis began to bite in the mid-1980s, there have been massive layoffs in the public and private sectors. There are no accurate but the NLC estimate during 1985-87 more than 2m members

were made redundant.
Also swelling the ranks of the unemployed each year are

The 1980s was industry's toughest decade, says Tony Hawkins

Investment the key to revival

are supplied locally with the result that output fell and prices soared when the naira was allowed to depreciate. Structural adjustment since

1986 has forced manufacturers to restructure, developing local sources of supply as in the Nestlé group's new malt extract plant. At the same time, repair and servicing activities have assumed far greater importance. Vehicle manufacturers are focusing more on repairing the existing largely-obsolete fleet, selling reconditioned engines and spares, rather than new cars.

De-industrialisation it may be, but it is also a type of activity far more appropriate to Nigeria's factor endowment -plentiful unskilled and semiskilled labour and an acute scarcity of foreign exchange

and capital.

At the same time, efficiency has improved, partly because trade liberalisation has encountries. aged fierce competition from imports, but also because with the precipitous decline in disposable incomes and huge increases in costs of imported inputs and energy, manufac-turers have become far more

cost- and quality-cons What was a seller's market two or three years ago, is now a buyer's market. Until very recently, the foreign exchange crisis allowed firms to sell whatever they could produce, often at handsome margins.

tens of thousands of the coun-

try's university graduates who are faced with a dearth of jobs

on the labour market.
Although all might seem quiet
on the labour front, the danger
exists that this group of educated young people will vent
their frustration through vio-

As the riots of June last year

showed, such violence lurks beneath the surface. Yet the NLC has failed to channel this

discontent to its own benefit. Its foremost problem has been internal with the NLC split for

Weak demand, high interest rates and excess capacity are squeezing margins and profits forcing management to cut costs and rationalise lines.

Firms processing local materials — breweries, beverages, agribusiness, some textiles and tyres and tubes — are benefiting, but the Manufacturers' Association of Nigeria (MAN) still says that "unalloyed

Nestlé goes farming

NESTLE'S new malt extract plant commissioned last month is concrete evidence of Nigeria's new industrial strategy emphaindustrial strategy empha-sising local raw materials. Food Specialities (Nigeria). (FSN) is 40 per cent owned by Nestlé with the remaining 60 per cent of the equity held by some 8,000 Nigerian sharehold-ers.

Aware that the Govern-

ment planned to restrict wheat imports, FSN set up its own farming subsidiary – Agro Development Nigeria — to grow sorghum, drawing on its parent's technical expertise.

Today it relies on its farm for about half the sorghum needed for its Cerelac and Nutrend baby foods, with the remainder peing purchased from being purchased from small-scale farmers to

monetary and fiscal policies will de-industrialise the coun-

According to MAN, the doubling of interest rates, the sev-enfold increase in electricity charges and continued naira depreciation between them represent a serious threat to man-ufacturing industry. Its call for

whom it provides seed, fer-tiliser and technical advice. Its own farm now has 780 hectares under crops — sorghum and soya beans — compared with only 50 hectares five years ago. FSN invested 33m naira (\$4.2m) in the sorghum mait extract plant which

malt extract plant which will save Nigeria some \$5m annually in foreign exchange. It is being part financed by a rights issue of shares floated on the Nigerian Stock Exchange.

A big disappointment is that the farming operation is not yet profitable though FSN says this is attributable largely to the heavy capital outlay in expanding production. It hopes that once capacity production is reached, the farm will show a profit.

after the 1988/89 reflationary debacle which is responsible for both high interest rates and

the weak naira. Also disquietening is MAN's call for rapid implementation of the Alackuta flat steel sheet project despite all the evidence

project despite all the evidence to suggest that the economy would benefit by dropping this white elephant before it's costs increase any further.

But MAN's pessimism is not shared by leading industrialists who believe the worst is past, arguing that current policies are more likely to revive past, arguing that current poli-cies are more likely to revive manufacturing activity now that foreign exchange is more readily available and inflation is being squeezed out of the system. Official projections point to a strong recovery with industrial growth of 6.5 per cent this year — after a 5 per cent decline in 1989 — with manufacturing expanding at more than 7 per cent a year throughout the 1990s. Critics are sceptical, pointing cent that a year ago the Govern-

out that a year ago the Govern-ment was forecasting growth of 8 per cent and a rise in capacity utilisation to 60 per cent. There is broad agreement that given the country's high cost structure, Nigerian manufacturers are unlikely to penetrate export markets in the immediate future. This means firms must focus on domestic market opportunities at least for the next decade, and on

sourcing more of their inputs locally. A 1990 study shows that local sourcing accounts for only 30 per cant of indus-

try's requirements.

A second priority is increased value added from the domestic processing of raw materials. But the decision to ban cocoa bean exports will pay off only if there is substan-tial investment in new capac-ity. At present, Nigeria can process less than half its crop and, in any event, direct con-trols conflict with the Coverntrols conflict with the Govern-ment's commitment to a mar-ket-regulated economy.

It's depressing, too, that so many firms forced into grow-ing their own raw materials during the 1980s to save foreign exchange, are thoroughly disllusioned with their experiment in backward vertical integration. Indeed, their disillusion is seized upon by critics of the World Bank-funded Structural Adjustment Processing tural Adjustment Programme (SAP) as justification for a tariff strategy that allows cheap imports of industrial inputs

imports of industrial inputs and the re-industrialisation of Nigeria through the movel of import-dependent assembly-type manufacturers.

Industrialists say, too, that they earn good naira profits because they are operating with fully-depreciated plant. Such a short-term view implies that manufacturing industry is not about to achieve competitive advantage at home, let alone in international markets. The key to industrial revival in Nigeria is not just higher capacity utilization but a quancapacity utilisation but a quan-tum leap in manufacturing investment — in human as well as physical recources.

yearly per capita income in Nigeria. In addition, though

William Keeling on trade unions

Organised labour takes a battering

of the NLC by launching a political party, the Labour Party, to compete in the transi-tion to civilian rule. In so doing it incurred the wrath of the Government with

internal with the NLC split for much of the 1980s into two opposing factions, the "Marxists" on the left and the "Democrats" on the right. The Government intervened by appointing a sole administrator who negotiated a single list of candidates for the election of new officers to the NLC in February 1988. Last May the new leadership tested the strength Alhaji Abubakar Umar, the Minister for Labour and Productivity, proclaiming "the NLC is committing an act of illegality and very soon we will have to call a stop to that". The foray into party politics was brought to a premature end when President Bahangida changed the course of the transition sition programme by dissolv-

ing the 13 competing parties.
Within the NLC are those who considered the creation of the Labour Party as a tactical error. They argue that the move was viewed as confrontational by Government whereas the NLC should be concentrat-

the NLC should be concentrating on dialogue. In particular, they believe its standing on the issue of the minimum wage has been weakened.

In April, in order to provide a strong political platform for the emerging Labour Party, the NLC demanded a rise in the minimum wage, last set in

1981, from 125 nairs to 1,490 1981, from 125 nairs to 1,490 nairs a menth.

The case for a rise is strong for over the nine years the equivalent dollar value has fallen from \$150 to about \$16. The NLC renewed its demand in June and August but the Government falled to respond. In December — two months after the dissolution of the Labour Party — a general Labour Party — a general strike was threatened unless the Government agreed to tripartite negotiations with the NLC and private employers. The Government finally successful and private employers. cumbed and the first meeting is due this month.

The president of the NLC, Mr Paschal Bafyan, argues that they "could not possibly keep quiet in the face of suppressed wages". But his critics believe that he has badly miscalculated in his badly miscalculated in his badly miscalculated. to 1.490 native a month which is more than half the average

ryana ada géstri

200

Nigeria. In addition, though the present level of 125 naira is low it is usually linked to an associated benefits package involving travel and housing allowances. It will be difficult for Mr Bafyan to reach agreement at the negotiations without a substantial climbdown and subsequent loss of face.

Meanwhile, the Government has gone on the offensive by publication in February this year of a White Paper detailing proposed changes in the organisation of the NLC. Among the recommendations are that the post of general secretary should be elective; that the NLC should be non-ideological; and that foreign scholarships for the NLC should be vetted by government. Though by government. Though expressing their diamay at such interference, a punch-drunk NLC appears

uncertain of its next move.

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 $(\Phi_{1}, g_{2}) = ((\pi_{1}^{2}, \pi_{2}^{2} + g_{2}^{2})_{1}^{2} ((\pi_{2}^{2}, \pi_{2}^{2}) + g_{2}^{2})_{2}^{2} ((\pi$

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William Keeling on the long-delayed Ajaokuta steel plant

The stuff of a \$3bn fable

THE AJAOKUTA steel plant, close to completing the cokesituated on the banks of the
River Niger in Kwara State, is:
fast becoming the stuff of
fable. Designed by the Soviet delayed As originally planned.
Union, its construction is years
behind schedule with a costs
behind schedule with a costs
are advected to completing the cokeovens and biast-furnaces. Buf
even with phase one of the
plant intact, production will be
delayed As originally planned
it would have produced 500,000
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even with phase one of the
plant intact, production will be
delayed As originally planned.

The cokeovens and biast-furnaces. Buf
plant intact, production will be
delayed As originally planned.

NY MARCH IS

already \$20n above estimates:
The public has long been asking anxiously when the first billet will appear, and the first billet will appear, and the Nigerian newspapers have taken to providing imaginative aniswers. In January, The Reporter, a Kaduna-based daily, repeated allegations that the plant was a damaged relic from Second World War Germany, stolen by the Russians and sold to Nigeria 30 years later. Though less fanciful, the truth provides little solace for the Nigerian people.

the Nigerian people.

The proposal was for a 5.3m tonne a year plant to be constructed in three phases. The contracts for phase one, a long and medium sections product plant with a capacity of more than 1m tonnes a year, were aigned in 1979 with a commissioning data set for 1028. Since signed in 1979 with a commissioning date set for 1986. Since the stump in oil prices stashed Nigeria's export earnings, the date for completion has fallen back and costs have soared. Originally estimated at 1hm naira (31.4hm in 1979) costs have already broken \$5m and are likely to exceed \$6m before production can proceed.

Problems with the phase one plant have been multiple, not least that it has effectively been built backwards, rolling-

least that it has effectively been built backwards, rolling-mills first with the blast-furnaces following. The intention was to import the billets for the mills while the domestic intrastructure for an integrated industry was put in place. The present economic climate prevails against this plan. Two of its four mills were completed in 1984 but have stood idle due to the problibitive cost of billeta.

With the squeeze on its for-

with the squeeze on its for-eign exchange earnings, the Government fell into payment arreats with the four contrac-tors. Work slowed as Berger from West Germany and the French companies Dumes and Fougerolle awaited payment.

ovens and blast-furnaces. But even with phase one of the plant intact, production will be delayed. As originally planted, it would have produced 500,000 tonnes a year of long products and 560,000 tonnes a year of insellum sections. But damastic demand for the latter is only a fraction of potential symply.

fraction of potential supply.

The continued construction of Ajackuta became a bone of contention between the Gov-ernment and the World Bank. When the two parties entered

The public has long been asking anxiously when the first billet will appear

discussions last year over pri-orities in the Government's orities in the Government's public spending programme, Bank officials argued that the plans for Ajaokuta had to be radically reviewed, spending had to be cut and the modified plant integrated into the rest of Nigeria's steel sector. Already existing is the direct-reduction. Delta Steel Plant with a 1m tonne a year capacity and three rolling mills with a comhined capacity of 680,000

hined capacity of \$30,000 tomes a year.

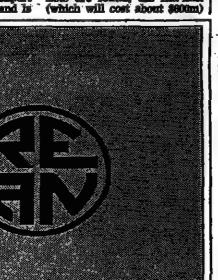
For six months the Nigarian authorities held out; to many defenders of Ajackuta it represents the nation's most forthright attempt to secure an industrialised future. For them there is no going back on Ajackuta. The impasse caused the second half of a \$500m World Bunk trade and investment policy loan, signed at the end of 1988, to be delayed.

The matter was resolved late last year, although details of the compromise have not been made available by either party. In the opinion of many observers, fundamental flaws in the project would make any such

project would make any such compromise unsatisfactory. They argue that if the plant is in find a market for its output not only must it be modified but an additional flat-products

mill is assential.

However, there are technical problems in building a flat-products mill with a capacity of less than 1.2m tonnes a year, The fourth contractor is problems in building a flatregion providing its of less than 1.2m tomes a year, again far exceeding domestic demand. Unless export marthan DMIStm, Tiapromexport has continued working and is (which will cost about \$800m)



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would be unlikely to run at full capacity until 2010.

Securing supply of primary inputs – the plant will require from ore and coking-coal – is also expected to delay production. The former is being sourced from the Itakpe-reserves, 55km from the site, while the latter has to be imported. Bakpe has yet to start production and a benefication plant will have to be built to enrich the ore for use at Ajaokuta.

built to enrich the ore for use at Ajackuta.

Transporting the coking-coal is a more complex matter for Ajackuta is 250km from the coastal ports. The plan had been to dredge the River Niger but the cost, degree of maintenance required and the frequency of barges needed to keep the plant supplied all militate against this. Ajackuta is badly situated for rail transport, being 150km from the nearest line, but this would nearest line, but this would appear to be the most viable

The Nigeria Railways Corporation is badly managed and in desperate need of rehabilitadesperate need or renamina-tion. In its present state it would be dangerous to rely on it for security of supply. And a secure supply of coking-coal for Ajackuta is essential, for once fired up the design of the blest develope them to the biast-furnaces requires them to be run continuously at a mini-mum 80 per cent capacity. Below this critical level the

furnaces are liable to damage.

Production at the plant will realistically have to wait for a World Bank-financed \$300m project to rehabilitate the Rail-way Corporation and this is unlikely to be completed before the second half of the decade. Unless the Government is able to find alternative funding, they are faced with the hitter irony that having resisted pressure to have Ajackuta accepted, the World Bank will effectively hold the key to its shortum.

start-up.
From whatever angle Ajaokuta is studied, its economic
viability is questionable. At
some point, the plant may be able to produce steel at com-petitive prices if production costs alone (i.e. excluding the capital cost of the plant) are

taken into account.

But this also presumes that
the plant will be effectively managed, a matter of some doubt evidenced by the disdoubt evidenced by the dis-missal of the managements board last year. Commenting on a subsequent report by a panal of investigation, Ham-man Tukor, director general at the Ministry of Mines, Power and Steel, admitted that Aja-okuta suffered "a disunited and disjointed board, an inac-tive plant and a catalogue of other laxities". Official criti-cion is rare, however, of a proclam is rare, however, of a project to which Government appears to rangin committed.

PROPERTY

On a switchback for two decades

ON EITHER side of the dual carriageway that stretches from the airport to Lagos Island are two stadia. On the left is the National Stadium, strategically placed to cause mile-long traffic Jams along the main road. Without regard to present congestion, on the right-hand side Lagos stadium is being built. It is typical of a city suffering from an apparent hat for controllor, the trafficient setting of 19th Cantury Brazilian-style houses has been crushed beneath a haphazard array of glass-skyacrapers and concrete monoliths.

array of glass-skyacrapers and concrete monoliths.

The Nigerian property market, whether leasing property or developing a greenfield site, has been on a switchback over the past two decades. Prices soared during the oll-boom years of the late 1970s, fell sharply as the economy alwaped in the 1980s and is now picking up again. For any slumped in the 1980s and is now picking up again. For any company either setting up or wishing to expand, securing suitable premises and staff accommodation poses farmida-ble problems.

In the boom years, property developers benefited from a national economic policy which involved an import-li-cence regime and a controlled

which involved an import-li-cence regime and a controlled exchange rate. With 35 per cent of construction materials need-ing to be imported, property could be developed cheaply, while demand in the thriving oll-fed economy allowed remi-als to be highly profitable.

The decade of plenty before the collapse of the oil price led many businessmen into prop-erty development and a com-paratively easy path to finan-cial success. For them, the end product has become less impor-tant than establishing the first foothold in the market.

The first step involves secur-ing the sits and building a

ing the site and building a basic structure. The finish and

The decade of plenty ed many into property development

quality of the end product will often depend on how much investment and what Isvel of

nvestment and war aver or sales the developer can subse-quently negotiate.

As Godfrey Mitchell, ma-ing director of Stim Nigeria Properties, puts it, "develop-ment does not mean starting and finishing, it means starting and finishing, it means starting. But since the advent of the structural adjustment programme (SAP) in 1986, developers have needed to tailor themselves to the demands of a very different market. of a very different market.

Profits in the sector have been hit by the falling value of the naira, which has made con-struction costs rise, and the liquidity squeeze induced by the Central Bank in June last year. The latter has resulted in hinds either not being avail-able or, with an interest rate over 30 per cent, the cost being prohibitively high. One multi-national, committed to a new

head office, is conducting a rights issue in part to help raise working capital.

Those in search of property to rent, however, will not necessarily find that it is a market in their favour. In middle-market in their favour. In middle-where ket areas such as Ikeja, where telephone and road communi-cations are generally poor, property rems are indeed low with 30,000 naira a year ample to secure a four-bedroom house. In the prime areas of

ever, quite the reverse has occurred. Rents have risen in line with the depreciating rate of exchange and the cement mixers continue to turn. In

mixers continue to turn. In 1986 commercial property rent for a year was 25 naira a square foot, now it is 100 naira; a detached house with a then rent of 50,000 naira a year, now fetches well over 200,000 naira. The prolific rise was prompted by the reaction of many foreign diplomats to the sudden fall of the naira. From being one of the most expensive cities in which to live, Lagos became momentarily chasp and many embassies traded-up their staff accommodation. By 1988, however, property owners in these prime locations began to demand a minimum of three years' rent in advance and at a rate commensurate with their tenants' mensurate with their tenants' hard-currency earnings. Many of the embassies are now pay-

A feer exists that a property bubble is waiting to burst

ing more for accommodation than during the era of exchange control.

The situation has been exac-erbated by the business profile of the post-SAP economy. The financial sector is now the area financial sector is now the area of opportunity with the number of banks doubling in three years. The senior management of these enterprises demand the best residential property and that means Ikoyi or Victoria island. In addition, with less traffic congestion and the superior telephone network of these locations, many residential houses are being taken over as offices by small businesses, while the little open land that remains is being grabbed for larger corporate grabbed for larger corporate

There have been some conspicatous winners from this mini-boom. With his office at the top of Towry Towers in Towry Close, is Mr Lanry Towry-Coker. His company. Towry-Coker Associates, are chartered architects and property developers specialising in top-grade residential and busi-ness accommodation. "I'm bull-ish about the future," he says "because people are getting more and more quality-con-scious." His residential devel-opments, with their manicured gardens, swimming pools and tennis courts, provide an attractive cocoon from the hectic pace of Lague life.

Although demand is high, a fear exists that there is a property bubble waiting to burst. A block of laresidential apartments has recently been out on the market by Mobil Oil with an asking price reputed to be more than 50 million naira. more than \$50,000 a unit. With 25-year mortgages, the price would appear to be excessive. In addition, some financiers who were prime movers in the property market two years ago are now steering clear of the sector. They clearly believe property prices have gone beyond realistic levels.

The real test of the market will come in the next two years. As one developer put it, "rent increases cannot be sustained; they will either have to platean-out or find themselves on the edge of a chiff." more than \$500,000 a unit. With

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It was in 1943 that the Leventis Group commenced trading in Nigeria. Since that time the scope and structure of the Group has changed dramatically to meet the requirements of the nation their operations now embrace manufacturing, agriculture

and food production, distribution and trading, employing over 13,000 people. Nigerian Bottling Company,

which holds the exclusive franchise for the Coca-Cola and Schweppes range of soft drinks, with 18 factories, 30 depts, and over 1,000 lorries, has the largest production and distribution network in the country.

Other Group Companies operate manufacturing facilities for the production of packaging materials. The glass packaging company -Delta Glass - produces up to 350 tons of glass per day for a wide range of consumer goods from beer and soft drinks to food products and pharmaceuticals, some of which are exported.

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The automotive business began early in the Group's history and Leventis Motors today, with 15 showrooms and workshops in the main centres of the country, also operates a large bus building plant. Through its participation in Honda Manufacturing Company, it is involved in the assembly and distribution of motor-cycles. The Company is a major shareholder in industries

glass.

Food production is a thriving industry for the Group. Thousands of tons of grains (rice and maize) are produced and processed at its integrated project in Bendel State. In Kwara State, Valley Foods operates a livestock farm producing and processing high quality beef and pork, and the Group is participating in a new venture into canning of

vegetables are grown and

pre-ccoked Nigerian foods.

producing automotive spare

parts and automotive safety

A wide variety of fruit is also grown for local consumption as weel as for export and vegetables are grown at the Plateau Foods farm on the Jos plateau.

Agricultural Seeds, based in Kaduna State, is the country's largest producer of hybrid and other seeds.

The Leventis Group were pioneers in the retail distribution field and the Leventis Stores division of A.G. Leventis & Co. (Nigeria) Ltd., boasts 15 outlets - many are superstores - and over 70% of the goods sold are produced in Nigeria.

Other industries in which the Group is involved include brewing, carpet manufacture, partitioning design and manufacture.

With their continued use of local resources for the local market and for export and their policy of integration and expansion, the Leventis Group are entering the 1990's confident in the belief that Nigeria's economy will prosper.

A.G. Leventis Group

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SEISMIC lines as straight as arrows cut across the tropical rainforests, twisting streams and salt-water mangrove swamps of the lush Niger Delta, Nigeria's oil-rich

southern region.

Most of the lines have been cut by men hacking with machetes through the seem-ingly inaccessible mangled bush and thicket in the search

After the lull of the 1980s the pace of exploration and development of Nigeria's oil reserves is rapidly on the upswing in response to the improved international oil climate over the past 18 months. Within the last year better than anticipated prices for crude oil, two increases in Nigorials and the control of the Nigeria's quota under the Organisation of Petroleum Exporting Countries, a sub-stantial divestment of govern-ment shares in the oil industry and significant progress on two giant projects to export

world that the future is beg ning to look a lot less bleak. But fundamental manage-ment problems on the government side, particularly in the refinery sector, and the Niger-ian National Petroleum Corporation's (NNPC) difficulty in meeting its share of operating costs and raising local and for eign investment, are still seri-ous obstacles to long-term

liquefied natural gas and pro-duce petrochemicals have raised hopes in the nation's oil

Petroleum remains the back-Petroleum remains the back-bone of the Nigerian economy. In spite of the increase in non-oil exports, petroleum still accounts for about 90 per cent of foreign exchange earnings and more than 75 per cent of federally collected government

In 1989 the Government's budget anticipated off earnings of \$5.36bn based on a price of \$14 a barrel. In the event, prices averaged at more than 17 a barrel and, with the increased volume of sales due to quota increases, earnings are estimated at between

That is still a long way from the heady days of 1979-80 when oil exports of 2.4m barrels a day (bd) brought in \$25hm. But it is a sign that Nigeria is able to exploit more favourable conditions in the world oil market

as they appear. Since 1986 it has been the consistent policy of the govern-ment to provide incentives to their joint-venture partners, the multinational oil companies, to continue maintenance, devalopment and exploration to boost Nigeria's capacity and

The essence of that policy is enshrined in the Memorandum of Understanding. In return for a programme of investment and enhanced recovery, oil companies are guaranteed a minimum profit margin of \$2 a barrel on their equity crude. The companies also agreed to lift NNPC's unsold equity crude "on notice" for a margin of \$1 a barrel.

Petroleum is the economy's backbone, accounting for 90 per cent of foreign exchange earnings

Nigeria has pursued a farsighted, transparent petroleum policy which has continuity. It has taken measures to help operators to invest even at times when prices were low to enable the country to capital-ise on an upswing," said Mr Romieu, managing director of

When Nigerla's quota was

Ozanne: Will there be any

changes in Nigeria's oil policy now that you have been appointed minister?

Aminu: The policy is of the ministry not of the individual minister. There will be no

change in policy. At the moment the energy sector

appears to be comfortable. I am quite happy with much of the policy direction.

O: Will the Government

change the package of incentives given to all companies to achieve your stated capacity goal of 2m bd and proven reserves to 20m barreis.

A: If one takes only the

Niger Delta basin and our off-shore then increasing capacity

and proven reserves seems fairly achievable. Over and above that there is a need to

look at new territories. The Memorandum Of Understand-

ing guarantees them a mini-mum margin of \$2 a barrel.

That is going to remain. We have some other aspects of the memorandum that we would

like to emphasise especially giving Nigeria greater operat-

ing opportunity as distinct

from just having participation agreements. We want to final-

ise operating agreements with as many of them as we can. So

the incentives remain but we

need to redefine our relative

O: Are you satisfied with the

operation of the oil companies?

A: At the moment I have found a reasonably good work-ing relationship but there is

Julian Ozanne looks at oil and gas developments after a lull

Exploration pace quickens

the beginning of the year to 1.428m bd in June and to 1.611m bd at the end of the year, the nation was easily capable of rising to meet the

new export volumes.

Production quickly rose to meet the new quotas. Last year average production was 1.67m bd but in the last quarter of 1989 production was more than 1.8m bd. Even taking into account the 75,000 bd of con-densate, which is not counted as part of Nigeria's OPEC quota, the country was produc-

quota, the country was produc-ing well above quota.

"We have tried very hard to obey our quota," said Professor Jibril Aminu, the new Petro-leum Resources Minister. "We have been selling, we have been refining. We have 300,000

and we have entered into agreement with some compa-nies for the storage of our oil overseas - inventory leasing - which is not part of our

Whatever the truths are behind that argument, if Nigeria is to achieve its target of boosting capacity from 1.8m bd to 2.4m bd and proven reserves from 16.6bn berrels to 20bn barrels, a high level of investment will be required. For their part the oil compa-

nies seem prepared to meet the investment challenge. But traditionally NNPC has been an obstacle to greater investment. However, last ent sold off 20 per cent of its equity stake in the NNPC/Shell joint ven-

from 80 per cent to 60 per cent. The three equity partners in Nigeria's \$2.5bn liquefied natu-ral gas projects were invited to hid. Shell, which operates the fields, increased its stake from 20 per cent to 30 per cent and Bif and Agin bought 5 per cent each. The divestment raised \$20n for the Government for increased investment, reduced the contributions burden on NNPC for joint venture fund-

nue the Government has also floated shares in two other companies. In February, it sold 17m shares in African Petro-leum (formerly BP) reducing its shareholding from 80 per

ing and secured the LNG part-

National Oil and Chemical Marketing Company (NOI-CHEM), the largest of the eight major petroleum product mar-keting companies. This divest-ment reduced the government share in NOICHEM from 60 per cent to 40 per cent. Both share offers were massively

Rarlier this year, the Government also announced price increases in the heavily subsidised petroleum products mar-keted domestically. The two-tier petrol-pricing system which sold petrol to commer-cial and public transport at 42 kobo a litre and to private users at 60 kobo a litre, was scrapped and the pump price unified at 60 kobo a litre.

is over. The other aspect is the

investment and the amount of

Nigeria is not in the happy osition of some other coun-

tries which can take a large fraction of oil earnings to invest. We need [oil revenues] for our national budget and therefore we have to find some

other means either by saving, or by dedication or by loan to

We have worked out a pack-age of incentives which is

oil and Liquefied Petroleum

Gas were also increased. Downstream development in the energy industry at home and abroad remains a major priority for the Government to diversify away from sole reli-ance on crude oil sales. Negotiations are still going on to purchase equity in foreign refineries.

At home, a long list of major The refinery section is perhaps the blackest cloud hanging over

Nigeria's oil industry projects in the hydrocarbon industry, centred on the devel-opment of Nigeria's huge untapped gas resources, has been drawn up by the Govern-ment for the 1990s. This

A major expansion in domes-tic natural gas collection and distribution; ■ A \$2.5bn project to export

government. The delay was in getting a security package which will be acceptable to the Japanese to enable them to give the credit guarantee. We have not signed an agreement but the financing for that is

but the financing for that is much brighter now.

As for the Oso project, really its a simple matter. The problem is that some of the conditions that are being demanded of us are not likely to be palatable to Nigerians — if, for example, we have to make a special law in order to take a loom.

The feasibility studies are such that some of these terms should not be demanded of us. But we have not foreclos

O: Bow is the commercialisa-A: The implementation committee is working now and has not finished its job. I think the process will show in the performance of the subsidiaries have set up as companies in mance of the substitutions being set up as companies in their own right — companies which will do well and balance at the end of the year and bring revenue to government, if any organisation is likely to succeed it will be this organisation.

O: The recent suspension of senior NNPC managers has caused some political turmoil. How has it affected NNPC? A: Every organisation as a sign of being alive goes through turnoil once in a while, But it has not stopped the organisation functioning.

liquefied natural gas with joint-venture partners Shell Fif and Agip;

MA \$880m project to produce 100,000 bd of condensate with Mobil Producing Nigeria from the Oso field;

A \$532m expansion of the

NAFCON fertiliser complex which uses natural gas as feed-

The \$1bn development of phase II of the petrochemical industry, Expansion of the capacity of Nigeria's refineries to produce

In the domestic gas industry realistic national pricing and development policy must be drawn up by the Government guaranteeing private compa-nies incentives for investment. Of the major projects, Oso, NAFCON and Petrochemicals are encountering huge prob-lems in finding the foreign financing from export credit agencies and commercial banks, given Nigeria's record on debt

The refinery sector is per-haps the blackest cloud hanging over Nigeria's oil industry. While the Government acknowledges the problems, it is steadfast in its refusal to consider taking on board for-eign equity partners to help with the technical running of the refineries.

Another looming problem is with the so-called 'New Fron-tier' oil exploration territories like the Lake Chad basin. Many companies producing off-shore are beginning to run out of reserves and there is a shortage of new opportunities in the Niger Delta. But the costs of ation outside the established areas and the capital investment required is too great to induce most compa-nies to move to the "New Fron-

tives offered by the MOU. of the Nigeria LNG Company between the then Minister of Petroleum Resources and the top executives of NNPC, which top executives of NNPC, which resulted in the suspension of Mr Godwin Aret Adams, man-aging director of NNPC, and Mr Ejike Onyia, managing

director of Industry snalysts point out that many of the successes of the Nigerian oil sector have been a result of the type of enclave status the industry has enjoyed in partnership with

Now that the world oil pros-pects are shaping up, facing the investment challenge and the need for stable and sound policy choices on the part of the Government will be critical to developing Nigeria's trumen dous potential.

Refineries a top priority

more they can do within the umbrella of that friendship more on upstream and more on helping Nigeria achieve tech-

O: Even from the Govern-ment's figures, Nigeria has been producing above its Opec quota. How do you explain that? A: Our former Minister of Petroleum Resources was the president of Opec and that president of Opec and that alone put a moral responsibil-ity on us to obey. We have tried very hard to obey. We have been selling, we have been refining it. We have 300,000 bd dedicated for domestic use and we have also entered into agreement with some countries for the storage of our oil overseas - inventory leasing which is not counted as part of our quota.

O: As part of the Government's policy of downstream development you have negoticated to buy into foreign refineries. How is that progressing?

A: We are heavily dependent the contractional hydrogent on the for our national budget on the oil resources and that limits the amount of money available for investing in downstream activities as much as it limits investing in upstream activities. We cannot, as some other countries have done, embark on a straightforward erection of refineries or the purchase of Professor Jibril Aminu, the new Minister of Petroleum resources, answers questions posed by Julian Ozanne

and carry basis. So we will have to enter into negotiations and take an interest in some refineries according to the agreement we work out with

Whatever agreement we text of the policy of our crude sales which at this moment in time is, one, the joint venture partners, two, to partners in downstream activities and, three, to indigenous explorers. It is in the second category that we are trying to carry on with the downstream activity. Ideally, Nigeria should be able on its own to develop the capacity to refine at home so we can export the products of

> O: Last year there were terri-le problems with Nigeria's four ble problems with Nigeria's four refineries. How do you plan to notine this?

A: There are many problems, some of them are fundamental but many we could attend to. A lot of the time it is the neual problem of maintenance cul-ture in a developing nation and the need to embark on preven-tive maintenance and to get the necessary funds in foreign exchange for that to be done.

Some of the other problems have been problems of design which could be rectified. We are working very hard on the refineries and I am going to make it the priority of the min-istry in start in around that the istry to start to ensure that the refineries work to full capacity.

O: Have you considered inviting foreign joint venture part-ners into the troubled refinery

A: I don't think we are as disabled as that. We need short-term expertise to help us but I believe that Nigerians should be able to run refineries without any joint ventures

O: The development of the gas ndustry has been extremely low. How do you account for

A: We should take a significant leap in gas by the end of the century, otherwise our environment will be endangered and the amount of gas we will be wasting will be more than it is now. The delays are the result of a number of factors. First, instability in policy. We could have had [a gas industry] long before 1979 but it is only now and we hope that phase of our national life before the Council of Ministers which will encourage the exploration for gas, the harnessing of gas and working out the tax holidays and tax relief to be given to the distribution sector up to the city gate and from the city gate to the home.

O: Gas experts say the biggest problem is with Nigeria's anar-chic pricing policy. Do you A: I think the problem is the pattern of subsidy policy which will have to be rationalised. I think the pattern of subsidy for fuel nationally has got to be rationalised and who will bear

O: A number of large projects have been held up because of difficulties raising foreign fin-ancing. What is the government doing about this?

the burden of the subsidy.

A: Petrochemicals nas advanced with the Japanese

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Wasted reserves of energy

IT MAY sound an unlikely vision but if President Ibrahim Babangida has his way, the battered, rusty, decaying antique Peugeots and Toyotas which clog up the three-lane, congested flyovers of Lagos may soon be replaced by futuristic locally designed naturaleas driven cars. gas driven cars.

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Few industry analysts put much faith in the project but the President's announcement of the pilot scheme in this powerful symbol of the creative thinking at the top levels of government about ways to develop the nation's fledgling gas industry and find a viable

power atternative to oil.
With crude oil reserves due
to run out within the next 40
years, the development of a massive donestic and export-orientated gas industry is now being touted as the basis for Nigeria's long-term economic

The policy direction on gas in the 1990s is aimed at increasing its potential not only as a foreign exchange earner, but also as an alternative source of energy and a cat-elyst to enhanced industrial productivity," President Bebangida said.

It is often said that Nigeria is a gas country in which there is all. Huge reserves, estimated by experts at roughly 2.6 tril-lion (million million) cubic metres, lie hidden beneath the surface, mostly onshore in the

Niger Delta. But so far there has been no active exploration for gas. The bulk of gas produced has been associated gas, a by-product of

associated gas, a by-product of oil exploration.
In 1988, of the more than 20.7on cubic metres of gas brought to the surface, only 28 per cent was utilised. The rest was flared as uncollected associated gas at oil-field well-heads due to the inadequate demand, the prohibitive costs of infrastructure for utilisation or respection and the low peralties imposed on oil compa-mes for flaring. Only one oil company, the Nigerian Agip Oil Company, has been induced to invest in a re-injection facility; the other compa-nies find it more cost-effective

the gas. That tremendous squandering of such a vital source of



Oil and gas separator: some say Higeria is a gas country in which there is oil

much as half the nation's energy needs - is now becom-ing a number one government priority, especially with the mounting environmental prob-lems caused by the stripping of Nigeria's forests as a cheap source of fuel. It is estimated that fuelwood provides between 60-70 per cent of the nation's energy needs. The National Nigerian Petro-

leum Corporation's (NNPC) export hopes are pinned on three maga-projects to develop liqueded natural gas, conden-

sate and petro chemicals using gas feedstock. But at a total cost of mere than \$4bn finding pending the completion of the 380km Escraves-Lagos Pipeline (ELP) to deliver gas to the National Electric Power Authority's (NEPA) Eghin Power Station in Leges. Other aspects of the govern-ment's drive towards domestic see utilisation include:

ges utilisation metade:

The commercialisation of natural gas liquids for export and local markets;

The establishment of gas utility companies for effective gas distribution to industrial and residential consumers;

gas utilisation include:

On the domestic front a major landmark was reached last year with the commissioning of the \$70m Otorogu gas plant operated by Shall Petroleum Development Company of Nigoria 140

Nigeria Ltd.
The plant, which has an installed capacity of 276m cubic feet/day, was delayed

the use of compressed natural gas (eng) as automotive fuel;
The expansion and development of industrial projects using gas feedstocks like the National Fertiliser Company of Nigeria and the Ajaokuta Steel With natural gas as a cheap, clean and competitive source of energy the Government hopes that domestic industries can be lured to gas because of the anticipated savings on fuel bills, which will free more

■ The installation of com-

pressed natural gas plants, conversion workshops and fill-

ing stations to commercialise

crude oil for export. But so far When the KLP was opened with an ultimate capacity of 1,200m cubic feet, industries within 50km of the pipeline were targeted for conversion to gas. But shortage of funds for infrastructure investment by the NNPC and the lack of a

national gas pricing and devel-opment policy have delayed these plans. The price of gas sold domes-tically in Nigeria is determined gas prices fell way below mar-ket prices as the Government tried to keep the cost of elec-tricity down. Private investors shied away from developing domestic gas until the incentives got better.

"The exploitation of gas has been slow and frustrating. There have been plans to bring gas into industry for 25 years but there was no commercial and economic basis on which a private individual person could make the investment," said Mr. Rrien Lavers managing direc-Brian Lavers, managing direc-tor of Shell. The price paid to us is absolutely derisory to the point that our gas business hasn't covered our costs and it has had to be subsidised by our

After much pashing by the NNPC, which was selling gas at a loss, last April the Govern-ment agreed to a price rise of 269 per cent from N1.52 to N5.24 per thousand cubic feet. But many companies, espe-cially state-owned corporations like NEPA, which consumes 80 per cent of the gas marketed in Nigeria, and Nation, have not obeyed the new price.

A new comprehensive gas development policy is before the Council of Ministers. Pricthe Council of Ministers. Pricing policy and incentives offered companies for investment in gas production and distribution will be the key issues to be resolved if Nigeria's huge latent gas potential is to be harnessed.

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LIQUEFIED NATURAL GAS PROJECT

Giant hydrocarbon scheme on target

IN THE sandy square at Finima, a tiny coastal fishing village in the lush green equatorial Niger Delta, market women with bowls of fruit and cassava trade their produce under shady palm trees as they have done for years.

Soon, as the blazing heat of the afternoon builds up, the men will return in their dugout canoes from the surrounding

Soon a community of 3,000 will be relocated to make way for the \$2.5bn project

rivers and creeks with nets full

of fish.

Nothing much has change here for decades but soon this whole community of 3,000 will be relocated to a new red brick and green corrugated-iron town to make way for Africa's

town to make way for Africa's biggest hydrocarbon project.

The \$2.5bn Liquefied Natural Gas (LNG) project, Nigeria's long-delayed mega-scheme to harness its massively underutilised gas resources and diversity its export base, is making steady progress to the landmark date of June 1991 when the final investment decision will be made and the main construction contract awarded.

Half a mile away from Fin-Half a mile away from Fin-

ima, near Shell's Bonny termi-nal on the Atlantic Ocean, bullnal on the Atlantic Ocean, buildozers are preloading the site for the tank pads of the two train gas liquefaction plants which, when built, will supply 42m tonnes of gas a year for sale to Europe and the US starting from January 1995.

Although the site preparation is not a major investment. tion is not a major investment it is a continuing demonstra-tion of the commitment of the

LNG partners to a project they estimate will cost \$200m before the June 1991 date: the June 1991 date:
Lest May, that commitment was formalised when a joint venture agreement was signal to set up an incorporated company as a subsidiary of the Nigerian National Petroleum Corporation (NNPC) called Nigeria LNG Limited. The company is owned by NNPC (80 per cent), Shell Gas (20 per

Agip (10 per cent).

The company will be responsible for securing gas supplies, building and operating the plant, marketing and shipping of the gas.

Agreements to supply 20m cubic meters of gas a day from onshore concession areas have already been signed in principle with the shareholders' upstream joint venture production. Companies. NAME (Shell) tion companies NNPC/Shell, NNPC/Eif and NNPC/A-

gtp/Phillips.
Options on five LNG carriers, with capacities of between 122,000 and 133,000 cubic meters were secured by Shell in 1957/88 and dedicated to the project. At a cost of \$200m,

project. At a cost of \$200m, approximately the same cost as building a new LNG vessel, the deal has provided a significant financial boost to the project.

Two of these vessels owned by Zenith Gas were purchased sariier this year by Nigerian LNG Ltd and will enter commercial service on a time charten heris will the LNG replace. ter basis until the LNG project

comes on stream.

In the company's brochure former Minister for Petroleum Resources Dr Rilwanu Lukman says the Government granted a special status to the company "to ensure it operates like any ture anywhere in the world As part of a package of fiscal incentives provided by the Government, investors will be

The most important challenge facing the company is securing guranteed markets

granted a 10-year tax-free holi-day and will be able to operate offshore bank accounts to reas-sure lenders that debts will be serviced promptly and regu-larly. The Government has also established an escrow account to receive income from sales of crude oil sufficient to meet its A further step was taken last. November with the award of a \$13m project plan specification contract to Technip SA of

France and MW Kellogg of the

The state of the s

cent), Elf (10 per cent) and US. Not surprisingly the LNG Agip (10 per cent). the project. "I am very confident that the LNG will succeed and we will have the first LNG exports by January 1995 if not before. That is not to say there aren't tremendous challenges to be overcome along the way," said Mr Brian Lavers, manag-ing director of the Shell Petroleum Development Company of

> Analysis believe the competitiveness of the market may have been underestimated

Nigeria which is the technical adviser to the project. But those challenges are sigimportant is securing guaranunder way between Nigerian LNG Ltd and buyers in the US and Europe for 20-year sales contracts. Two US companies, Cove Point Trading of Mary-land and Distrigas of Boston, are expected to take 40-45 per

cent of the gas.
The remainder will be shared among several Euro-pean companies who have expressed an interest, including Tyssengas (West Germany), Gas de France, SNAM (Italy), Ruhrgas (West Germany), and Enagas (Spain). The project partners hope

the contracts will be signed by June this year. Tough negotia-tions are said to be going on over price and, according to one industry analyst, they may have underestimated the com-petitiveness of the market. Once sales contracts are fin-

alised the project will have to face the second significant challenge of finding financing. According to Mr Lavers between 60 and 70 per cent of the project costs will be met by loan finance from export credit commercial banks. Given the financing problems faced by Nigeria's other high profile projects, that may not be as easy as the LNG company is

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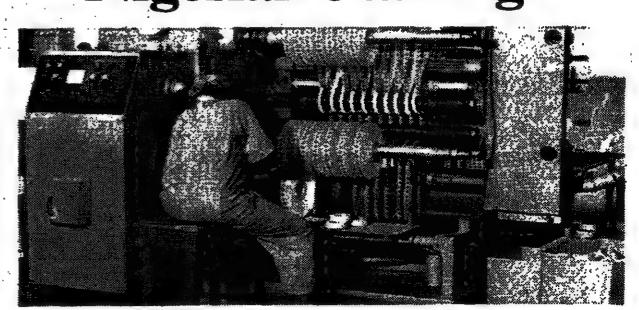
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added a whole new dimension to International







Nigeria, like so many other countries, is going through a tough economic period; a situation that requires creative and innovative management.

Various measures are already in place to turn the economy round in keeping with the exigencies of the times. For instance, emphasis is now placed on local sourcing of raw materials, exports, higher productivity through privatisation and on self reliance in Agriculture and Industry.

And UAC, Nigeria's leading industrial, commercial, technical, and agro-based organisation, is naturally in the forefront of the economic recovery campaign. UAC has gone into large scale Agriculture and has consolidated its leadership position in the manufacturing sector. Greater emphasis is given to local sourcing of raw materials and export is being given greater

UAC is an example of the successful blend of Nigerian investment and international participation. UAC of Nigeria Limited with the support of its technical partner, Unilever PLC, has over the last 100 years been contributing to the development of Nigeria. UAC pioneered Nigeria's industrialisation programme and has ever since maintained its leadership position.

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UAC through its Federated Motor Industries has given a boost to the mass transit programme. UAC has an excellent reputation for her high quality textiles. The company's earth-moving caterpiller equipment have given support to the nation's agriculture and construction industries. The electronic and airconditioner business of the company service many homes and offices.

In spite of the current difficulties, Nigeria does have an important incentive though. Given the new concerted effort to turn the economy round, the good times seem not too far off.



Always meeting the challenges of the times.

NATIONAL FERTILISER COMPANY OF NIGERIA

Fruitful jungle enterprise

FROM the air the evergreen, dense jungle suddenly gives way and in a clearing a sparkling, silver high-tech complex shoots up glimmering in the afternoon sunshine.

The National Fertiliser Company of Nigeria Ltd (Nafcon), the first large and modern nitrogenous fertiliser plant in black Africa, has been an unparallelled success in the development of Nigerian gasbased industries in collaboration with foreign joint-venture

partners.
Since it came onstream two years ago Nafcon has achieved a unique synthesis of some of the nation's most pressing goals: finding productive uses for the abundant supply of natural gas, much of which is being flared; supporting the country's underdeveloped agriculture; saving foreign exchange through import substitution; and diversifying Nigeria's export base.

At full capacity the plant can produce 1,000 metric tonnes of premium quality ammonia, 1,500 metric tonnes of high analysis, low acidity granular urea and 1,000 metric tonnes of NPK (nitrogen, phosphorous, potassium) mixed fertiliser blends each day. But according to Dr Chijoke Waboso, manager of Corporate Planning and Analysis, last year the complex worked at 106 per cent of its accepted capacity, scoring the highest onstream factor of any ammonia plant in the world. Nafcon's management believe much of that success has been in the commercial

environment provided to the company by the government.
"I expect this project to be run as a commercial venture. To demonstrate our credibility, the management must continue to ensure the prompt repayment of the loans granted for this project," President Ibrahim Babangida said at the

plant's commissioning in 1988. That saying now hangs in a wooden framed plaque in the company's boardroom.

As part of that commercial environment the company has been allowed to export 30-35 per cent of its fertiliser to the US and Europe and hold the proceeds in offshore accounts to finance the purchase of imported materials, machinery, spare parts and to pay for the management contract with MW Kellogg (US). Nafcon has never had to purchase dollars from the government-rum foreign exchange market.

The original \$700m complex

was built by a consortium led by MW Kellogg, which included Kawasaiki Heavy Industries (Japan), Marubeni Corporation (Japan), Jacobs Engineering (US) and Missho-Iwai. It was financed in part by equity contributions and in part by export credit loans from the US and Japan. MW



orifficer demonstration: the new high-tech place has been a success in supporting the underdeveloped agriculture

Kellogg, which put up \$42m as its equity contribution, was responsible for engineering, procurement and construction and, as technical partner, was also initially responsible for personnel training, plant operations, maintenance and product marketing.

The company hopes to expand the complex by con-

structing a replica of the ammonia and urea plants at a cost of \$532m with the same construction consortium and offshore financing. Phase II will go towards meeting estimated local fartiliser consumption of 1.5m metric tunnes in 1990. It will also provide increased scope for exports and foreign expenses exports

But, as with Nigeria's other high profile projects, the scheme has run into difficulties due to Nigeria's external debt position. The company was beging for a breakthrough with the Export-Import Bank of US during President Babengida's visit to the US in January, but the trip was postponed. Despite these

difficulties Dr Wahoso is confident that Nafcon will break ground for Phase II before 1991. The only other problem facing the company is with its supplies of gas. Natural gas accounts for 85 per cent of Nafcon's raw materials. Ammonia, the base feedstock for all other fertilisers, is principally a natural-gas produced product. The

Nigerian National Petroleum Corporation supplies 45m standard cubic feet of gas a day delivered to the plant through a 14km pipeline from the Alakiri gas field owned by the Shell Petroleum Company of Nigeria.

For years there has been no national gas pricing policy and Nafcon has counted on ridiculously inexpensive natural gas. It pays N1.34 per million standard cubic feet (mscf).

dard cubic feet (mscf).

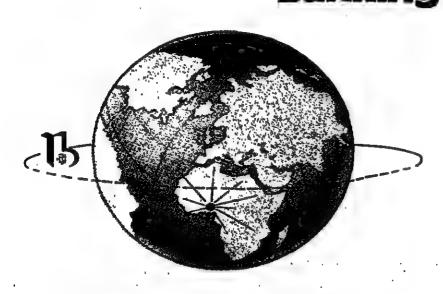
But last year the government announced a massive price hike to N5.24 per mscf. Nafcon is locked into negotiation with NNPC over the price but is still paying at the old rate of N1.34. The company says the new price is too high and will adversely affect its profitability. NNPC and Shell point out that even at N5.24 natural gas is extremely cheap and that unless companies like Nafcon pay realistic and equitable prices, there will be no incentive to develop the tremendous potential of domestic

gas.

With the Government committed to the expansion of gas-based industries, such as the Ajaokuta Steel Complex, such arguments will have to be resolved on a commercial basis acceptable to all parties. The national gas policy before the Council of Ministers is intended to do exactly that.

Julian Ozenne

Global Banking



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PETROCHEMICALS

Ambitious attempt at diversification

NIGERIA'S most ambitious and risky project in the oil and gas sector, the development of a three-phase petrochemical industry, is facing a series of tough challenges:

The scheme, which has been

The scheme, which has been declared the number one Government priority in the drive to diversify the hydrocarbon industry, sims to harness the country's under-utilised off and gas reserves to provide a steady flow of petrochemical products to Nigeria's domestic industries. Long delays in the import of petrochemicals and the lack of a regular supply of foreign currency in recent years has severely constrained the nation's domestic producers of detergents, batteries, solvents, paints, plastics and

Massive investment in the petrochemical sector was also designed to soak up the potential excess capacity in the nation's refinance and provide additional foreign exchange arrings from exports.

additional foreign exchange earnings from exports. However, technical and managerial problems in the refineries, which provide the feed-stock for the three petrochemical plants constructed under phase I have severely strangled production. And phase II, to be built at Kleme near Port Harcourt, has been delayed due to the reluctance of foreign financiers to back the project, although according to Dr Thomas John, Head of the Eleme Petrochemical Company, a subsidiary of the Nigerian National Petroleum Corporation, an agreement was reached in principle with Japanese backers for the bulk of the financing during a visit earlier this year to Japan by Professor Jibril Aminu, the

ew Minister of Petroleans

Phase I of the long-term project went into production two years ago consisting of the Ekpan carbon black and polypropylene plants near the Warri refinery and a linear alkyl benzene (LAB) plant near the Kadına refinery.

All three plants have been

All three plants have been operating substantially below capacity with some industry analysts estimating output as low as 20 per cent of optimum production.

low as 20 per cent of optimum production.

The Rainma petrochemical plant has an installed capacity of 35,000 metric tomes (mt) a year of LAB for use in the manufacture of detergents; 2,700mt a year of heavy alkylates for the production of lubricating oils, greases and thermal fluids and 38,000mt a year of deparaffinated kero solvent for metal cleaning and shoe, floor and furniture polish. According to one industry expert in the first year of production the plant operated at a capacity utilisation rate of 10.5 per cent for LAB, 8 per cent for heavy alkylate and 6.8 per cent for solvent. And last year the Kaduna Refinery, which provides the kerosene and napta feedstocks, had to be shut down for two months for main-

tenance.

Similar problems have dogged the petrochemical complex at the Warri Refinery. The carbon black plant was designed to produce 18,000mt a year for use in the tyre, battery and printing ink industries. The polypropylene plant had an installed capacity of \$5,000mt for the packaging and household product industries. Both plants have been closed

the last two years due to consistent problems with the Warri Reinery's finid catalytic cracking unit and the outbreak of firm.

The net effect of these setbacks has so far been to deny Nigeria's domestic users of petrochemicals, such as Dunlop

The scheme aims to harness the oil and gas reserves and provide products to domestic industries

and Lever Brothers, a consistent source of raw materials at competitive prices with the additional advantage of paying in Parts.

With such a chequered history in Nigeria's petrochemical drive it might be surprising that the Government is so eagerly pressing ahead with the fibr complex at Eleme. But Dr John is adament that the project, backed by a Stan-

ity study and by the World Bank, is bankable and will avoid many of the problems being encountered in phase I by having its own dedicated gas-based feedstock provided by an NNPC/Agip/Philipa joint-venture upstream part-

The four-plant Eleme com-

plex will produce 266,000 tonnes of ethylens, 250,000 tonnes of linear low and high density polyethylenes, 80,000 tonnes of homo and co-polymer resins and 20,000 tonnes of butane annually. About 60 per cent of planned output will be absorbed on the local market and the rest will be exported until local damand rises to

meet capacity.

Letters of intent were issued in 1998 to several contractors including Kobe Steel and Chiyoda of Japan, Spie Batignolles of France and Technimont of Italy. Long negotiations over the financing package and attempts to interest joint venture partners have delayed construction by more than

nine months so far. But Dr John says a deal with the Ex-Im bank of Japan and a Japanese consortium made up of six trading houses, Marubeni, C Itoh, Mitsubishi, Mitsui, Sumitomo and Nisho Iwai, and backed by insurance cover by the Japanese Ministry of Trade and Industry has now been agreed in principle and will be signed within the next few months. The loan is believed to be in the region of \$750m.

If such a financing package is concluded the rest of the finance should fall into place. Finding joint venture partners will also prove a major challenge given the risks of the petrochemical business, especially in the face of the looming Sandi onslaught. But Dr John is hopeful that one or more of the Japanese contractors will come on board and that a debt-equity swap with a commercial bank, like Standard Chartered, could also be arranged.

Julian Ozanne

DOING BUSINESS IN LAGOS?

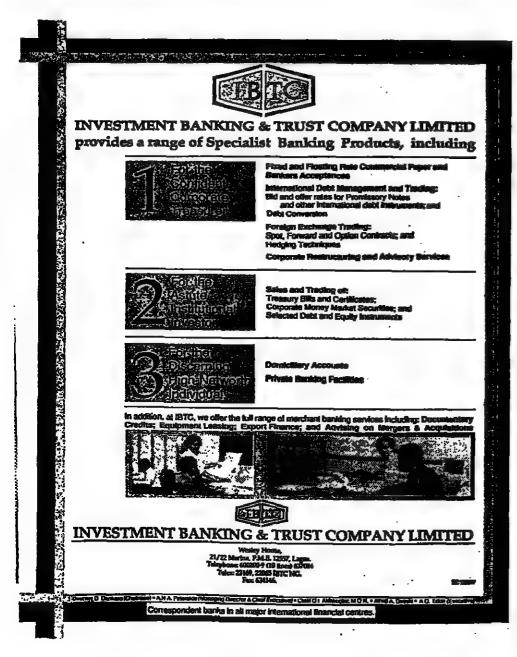
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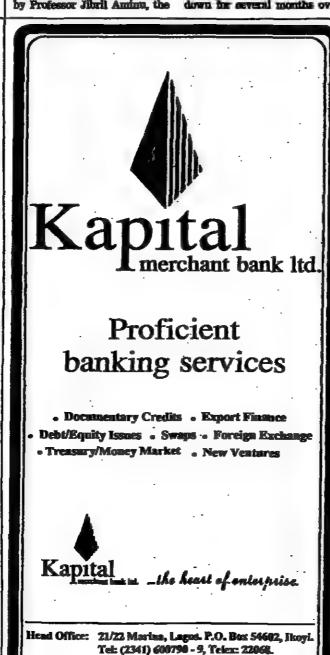
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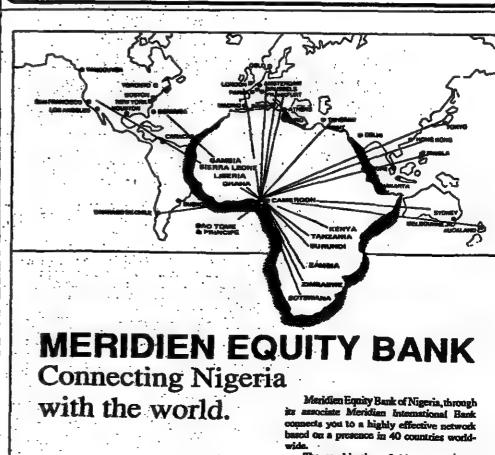
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Nicholas Woodsworth reviews the agricultural scene

Top priority for expenditure

AGRICULTURE, a sector that employs well over half Nigeria's population, continues to be a major beneficiary of four-year-old structural adjust-ment efforts. Government administrators and commodi-ties speculators may have still to find an efficient and stable role within the sector; but farmers themselves, once pro-vided with free-market incentives, have proved willing to play their part in a major national objective: food self-sufficiency for Nigeria.
Significantly increased food
production and a revived com-

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modity export market are the result of three policy initiatives taken in 1986. Naira devaluation and the establishment of a more realisestantishment of a more reass-tic exchange rate have pro-moted commodity exports and discouraged cheap food

imports; The abolition of inefficient State-run commodity marketing boards and the de-control
of agricultural pricing have
provided strong financial
incentives to farmers of staple
crops, and
The imposition of an import
han on wheat, maize and barley have encouraged the growing of local grains and local
sourcing for processing indus-

sourcing for processing indus-

The establishment of liberal, free-market conditions have not been the only changes in agricultural policy under the present administration. While paying lip-service to agricul-ture with such programmes as "Operation Feed the Nation" and the Nigerian "Green Revohution", previous regimes did little to support agricultural development - they relied instead on chesp food imports paid for with oil-boom dollars. With reduced oil profits and higher import costs related to continuing naira devaluation, however, the Government has become politically and financially committed to the state support of agricultural devel-

In his January 1990 budget speech President Babangida identified agriculture as the government's top priority: accordingly, fully 28 per cent of the federal budget is devoted to the agricultural sector. Over the next three years federal expenditure will include N1.2bn for the Ministry of Agri-



total sectoral lending to the

country – now admits serious shortcomings in the Bank-funded ADPs; projects, says a recent Bank study, have been initiated without capacity research, planning, implementation, or maintenance.

A number of state ADPs have already ceased operation, and Bank officials in Lagos say

future funding of those remaining will depend on perfor-

mance.
While the Government

remains committed to liberalis-

ation policies, a number of issues remain the subject of

contention between it and Migeria's international donors.

These mainte:

A han on wheat imports.

Donors argue that large-scale samugling has made the han ineffective and that the cost of domestically grown wheat has meant urban consumers cannot afford bread. Much more applied that the cost of the consumers cannot afford bread. Much more consults the cost of the

sensible, they suggest, would be the importation of wheat under a suitable tariff regime. Efertiliser subsidies. Black-

market operations by middle-men and smugglers, say donors, results in farmers fal-ing to receive the benefits of an 80 per cent government sub-sidy on domestic and imported fartiliser. Pressure for subsidy

removals prompted govern-

ment to promise last year to privatise distribution. But fears that more expansive fer-tiliser would lead to steep drops in crop production caused the privatisation pro-gramme to be delayed. The Government says it will now

a distribution of the service of the

deposition of the second secon

curement, and nearly Nibr for funding Nigerian agriculture the Directorate of Food, Roads with more than \$1hm - half its and Rural Infrastructure (DFRRI), the government's main instrument of agricul-

tural development.

Ever larger allocations to agriculture in retent years are partly in response to the inflationary effects of structural adjustment. While rural food production has increased agdifficantly, so have urban con-

sumer prices.
Spiralling food costs which jumped 100 per cent in the first six mouths of 1969 were largely responsible for serious riots last May. In his budget speech the President stressed the need to protect the poor, and said that DFRRI will concentrate on programmes for the benefit of low- and middle-income Niger-

Increased allocations, however, have proved not to be guarantees of improved state administrative performance. Chronic inefficiencies in the Ministry of Agriculture resulted this year in its former functions in rural development and water management being transferred to DFRRI and a newly-created Ministry of Water Resources. After more than a decade of disastrous performance, the government has decided to wind down operations of its River Besin mance remains open to criti-

The achievements of the country's state-run Agricul-tural Development Programmes (ADPs) are also now increasingly open to question. The World Bank, currently

cent to 50 per cent, and most observers believe a gradual phase out is likely.

Strategic grain reserves.

Donors argue that government plans for the construction of silos for strategic storage pur-poses are economically unvia-ble; they maintain that improved private storage of grains would reduce current annual harvest losses of up to 30 per cent, and that grain imports in times of shortage would be more cost effective. Government, however, is proceeding with construction

After three years of rising com-After three years of rising commodity export prices for cocca, rubber and palm foil, the Government in January announced a 1991 ban on occoa bean and palm hernel exports. Inhended to promote local processing discouraged by the high price of market speculation, the cocca ban, like other bans, has been criticised as economically unviable. Most observers believe the Government will eventually be forced to rescind it.

While Nigeria's population of about 120m continues to grow

While Nigeria's population of about 120m continues to grow at the rate of 3.4 per cent, constraints to food production remain. They include environmental degradation, lack of appropriate research, a shortage of technical skills, insufficient storage facilities and, most serious of all, inadequate training facilities for the transfer of new methods and technologies to Nigeria's peasant nologies to Nigeria's peasant farmers.

None the less, most sector analysis believe that if present government policies, including price liberalisation, encourage ment of local processing, environmental considerations and continuing devaluation are maintained, there will be suptainable agricultural growth in five to eight years. Advances will continue to accrue not so much from

state-run programmes but from incentives offered to private farmers, technical advances disseminated from commercial farms and greater value-added in local processing industries. To a large extent, the future of Nigerian agriculture depends on the maintenance of

ent policies following the

present policies following the planned return to civilian rule in 1982.

AFTER three years of imprecedented growth and optimism, the Nigerian cocoa industry has taken an abrupt tumble. Hard on the heels of a crash in domestic producer prices, the Government has approunced a total ban on the export of cocoa beans from 1991. Unless there is some reversal of that policy and a stabilisation of producer prices, analysts say, the cocoa industry may head into rapid decime. decline.

· Since 1986, the year when the Babangida administration abolished Nigeria's inefficient state-run commodities marketing boards, cocoa has been regarded as one of the greatest beneficiaries of structural Liberated from a system of

Liberated from a system of artificially low, fixed prices, the eccoa production and export industry — the largest earner of foreign exchange after oil — became one of the most promising sectors of the Migerian economy.

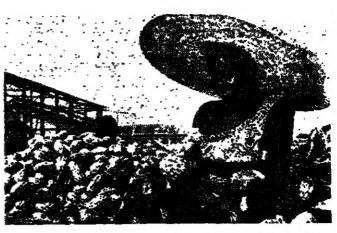
But if cocoa has been seen as a gauge of the successes of adjustment, it has also exposed some of its pitfalls — more than any other commodity, cocoa has increasingly functioned as a speculative instrument for the exploitation of an unstable naira.

Before the abolition of the marketing boards, farmers, paid NJ,600 a tonne of cocoa and had little incentive to increase production or invest in the planting of new trees. But with naira devaluation and new price liberalisation poli-cies, traders in 1987 could afford to offer cocce farmers N4,000 a tonne and still come away with a N2,000 profit. The only disadvantage of the new incentives was a rapid fall in the quality of coces exported. Before 1986 Nigerian cocca was sold at terminal markets in London - still its major desti-nation - at a premium; today all Nigerian cocoa is sold at

iscount. Following the 1986-87 season, as the naira continued to devalue from N4 through to N10 to the pound, not only established traders but previously uninvolved businessmen and speculators found it more and more profitable to become involved in cocoa trading. As profit margins increased, so did competition to buy cocoa. With world prices holding at £1,100 to £1,200 a tonne through the 1987-88 season, traders were able to increase farmgate payments and still

realise profits. With falls in world market prices in the 1988-89 season, much of this trading, however, became unhealthy; as devaluaCOCOA

Tougher times looming



now below £500; the unprecedented nairs liquidity squeeze

provoked by last year's recall of parastatal capital from com-

mercial banks to the central

bank; and the increase in com-

mercial lending rates to 30 per

able to cocoe traders, the price has plummeted to under N6,000

a tonne, a level which could

spell ruin to many farmers who, with recent record prof-

ing and non-productive assets such as vehicles and buildings.

With fewer pairs now avail-

from cocoa pods (right). The industry has taken a tumble.

tion continued and trading demand for cocoa increased, speculators began selling cocoa below cost price as a means of converting naira to dollars. Foreign exchange profit thus carned was used in two ways. It was retained illegally in accounts overseas; alternately, in the system known as "round-tripping", it was repatriated to be exchanged on parallel markets for more than tribe its effect when and twice its official value, and then reinvested in further export purchases.

So profitable was the purchase of cocoa, and so sought after did it become, that in the seven weeks following August 1988 the Nigerian price soared from N8,000 to N18,000 a tonne. By the end of the 1988-89 seeson, cocoa was selling for as much as N24,000 a tonne, although by January 1989 Lon-don terminal prices had sunk

to under £800. Dr Christopher Kolade, managing director of Cadburys Nigeria - a company that like a number of others was forced out of the export trade by unre-alistic prices - estimates that 80 per cent of the cocca export business last year was domibusiness last year was domi-nated by traders speculating on continuing naira devalua-

ducer price crash is the result of three factors: the continuing fall in world market prices,

But with growing emphasis on the development of local industry and value added, a lobby of the hard hit industry was able to convince the Gov-ernment of the need for an export ban on beans from 1991. Combined with the sharp drop in producer prices, the ban will in theory, produce cocoa butter for both the domestic

Analysts and exporters, however, remain unconvinced that the ban, announced January 1, is practicable or economically viable. With a combined pro-cessing capacity of under capable of processing only about half of current annual production of 160,000 tonnes.

While the Government is relying on investors to fund the construction of extra plant capacity, few analysts feel that, given the prevailing economic climate, the money will be forthcoming. Nessim Gaon, chairman of Afro Continental Nigeria, one of the country's largest cocca traders, estimates investment costs at \$80m-100m, and says that even if the money were found, increased capacity could not be in place

Mr Gaon predicts that next year traders will buy only the quantity of beans they believe they can sell for local process-ing. The remainder, he says, an amount in excess of 70,000 tonnes, will stay in the hands of highly dissatisfied cocoa farmers, and represent a loss of earnings. He foresees large volume cocoa bean smuggling, and also maintains that the Nigerian cocos butter that is produced will not be of a quality consistent with terminal

Ultimately, like Dr Kolade, Mr Gaon believes the ban will be seen as unworkable and rescinded. Mr Gaon argues that some compromise solution is guaranteed quantity of beans to local processors at fixed prices, the remainder being exported as before. To establish a less volatile market, Dr Kolade sees the need for the introduction of price stabilisa-

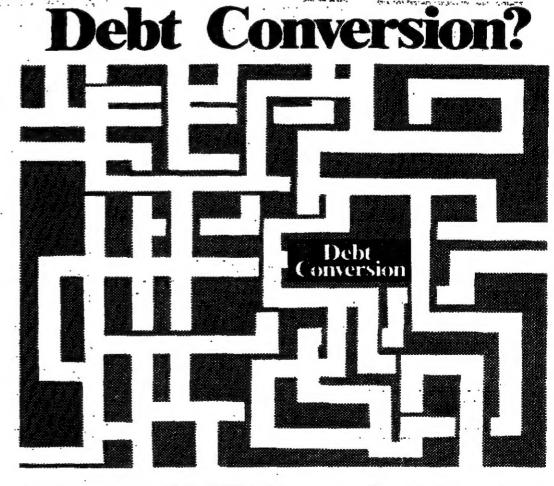
such as vehicles and buildings. They, and up country buying agents who rely on commissions from volumes traded, are now, in the words of one market analyst, "a highly endangered species".

On the other hand, local processors of cocoa beans - there are three cocoa processing factories in Nigeria - have seen an abrunt reversal of fortone. introduction of price stabilisa-tion polices, with government stepping in as a buyer of last resort if necessary.

Like all their colleagues, they agree that the only long-term solution is a higher world market price for cocos. Given current global over-pro-duction, this is unlikely to come about, and the Nigerian cocos export industry, after an abrupt reversal of fortone. Unable to afford high farmgate prices in the previous two seacocoa export industry, after three halcyon years, seems headed for tougher times. sons, they have been running at only 15-20 per cent capacity.

Nicholas Woodsworth





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FOOD CROPS

Farmers need more technical skills

NIGERIA'S rural population is enjoying the benefits of competitive, free-market policies in staple food production. Hard statistics on the country's small-scale peasant farmers are few and far between, but indications of increased productiv-ity and slowly improving living dards are everywhere.

The strongest signs lie not in the offices of the Ministry of Agriculture in the new federal capital of Abuja, but in the

Rising prices for staples have put increasing pressures on hard-hit urban populations

physical changes taking place in Nigeria's countless villages. The abolition of state-run marketing boards, a more real-istically valued nairs, and the import ban on wheat, maize and barley have all provided financial incentives to rural trading activities unknown for

more than a decade.
Village market-places in many cases have more than doubled in size. Grains, root crops and fresh produce are now brought in by large lorries instead of pick-up vans. Live-stock, rather than being traded locally, is now transported to regional markets. Turnover in simple consumer goods — clothing domestic utensils and bicycles — has increased significantly. Sales of farming implements such as hoes, ox-drawn ploughs and cultivators

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Taken together, these commercial activities point to a reestablishment of trading links between rural areas and urban

centres previously supplied with imported food; money that once flowed out of the country for cheap food imports is now being transferred to the countryside, giving rural populations greater purchasing power and increased standards of living. Rising producer prices for

staples have been accompanied by increases in production and the amount of land under cultivation. Significant increases in the production of yam, cas-sava, maize, soya bean, rice, cow pea, millet and sorghum have all been recorded. From 1987 to 1989 the US Department of Agriculture in Lagos estimates land under wheat culti-

vation to have risen from 5,000 to 50,000 hectares.
But while rising prices for staples have been a boon for farmers, they have put increasing pressures on urban populations already hard hit by stiff cost of living increases. cost-of-living increases in power, transportation, rents, education and medical ser-

While optimal climatic conditions allowed an excellent harvest in 1988, last year's harvest was affected by two factors. Lete and irregular value tors: late and irregular rains and a 50 per cent drop in fertil-iser distribution resulting from insufficient imports. Together these lad to a 10 per cent decrease in overall staples pro-

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ing urban consumers in 1989, however, was the previous year's reflationary budget; combined with the effects of naira devaluation, excess liquidity drove up prices and led to 100 per cent increases in

food prices in the first six months of the year.

With the price of bread ris-ing from N4 to N10 to a loaf, and a sack of rice selling for the equivalent of a worker's

We have too many graduates and not enough committed extension workers at village level'

monthly salary, food price increases were a chief cause of serious riots last May.

Subsequent government measures to reduce liquidity have cut inflation rates to 36 per cent, but there is growing concern about decreases in demand for higher-priced food items. Many mothers, for example, are now substituting corn starch for milk in babies diets. Significant decreases in urban nutritional standards, say many analysis, are a strong argument for the lifting of food import bans, but would lower internal production and depress rural incomes.

Observers also point to a number of serious constraints

limiting further increases in domestic staple crop produc-

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eva (above) and rice (right): rising producer prices for staple foods have been accor

ditional production methods used by 95 per cent of Nigeria's farmers are no longer adequate farmers are no longer adequate to meet a fast-growing population's food needs. In the past a system of shifting cultivation allowed the regeneration of the country's generally infertile soils. Today pressure on the land no longer allows this, and Nigeria's fields are being rapidly depleted of their nutrient content.

problems affecting productive capacity include continuing descrification in the north and

serious soil erosion nationwide. In addition, government policies on fertiliser marketing and strategic grain reserves threaten the growth of stable

Government plans to remove subsidies on fertiliser may put this essential item beyond the reach of farmers and decrease their productivity; policies on the construction of large, state-owned silos ignore the potentially more effective prigrain reserves at the village vate-sector management of

But, according to agricul-tural consultant Tim Harvard, the most serious constraint to increased staple crop produc-tion lies in insufficient education in farming technology and management. "Nigerian agri-culture desperately needs a leap forward in technical skills; only training can bring this advance about," he says. This includes the development and dissemination of techniques in irrigation, improved land use, agro-chemical application, grain storage, new crop-

ment of hybrid seeds. "We have too many university grad-nates and not enough committed extension workers at the village level," says Mr Har-vard. While he admits that government agricultural agen-cies have had some effect in improving agricultural infra-structure, he believes that a successful future depends on the dissemination of improved farming techniques through

the private sector.

Large and medium-scale commercial farms are using methods that government

institutions have failed to pro-vide and peasant farmers find too unfamiliar take a risk on. The answer lies in the outgrower system; peasant farmers producing crops for commercial farms can not only draw down on their capital and inputs, but their methods as well. By transferring more efficient technology to traditional farmers, commercial agricul-tural operations could be the making of a more productive agricultural sector in Nigeria."

Nicholas Woodsworth

Nicholas Woodsworth on a threatened environmental crisis

Water, air and land pollution

ping systems, and the employ-

Confronted with this observation, the casual onlooker might feel entitled to wonder what makes it noteworthy. The entire world, after all, is in environmental trouble. What makes bligged a product.

makes Nigeria special? The answer is that Nigeria's fast expanding population, now at about 110m, is just managing to feed itself, the country is moving towards and the risk of consequent food

and the risk of consequent food shortages.

Almost all the countries of the Third World are concerned, or should be concerned, about the relationship between population increase and sustainable resource management; so great is the combined pressure of these two problems in Nigeria, however, that there is now

speculation by specialists that in the long run they could threaten social stability. No visitor need go further than Lagos to see environmen-

tal damage - the water, air and land are being heavily pol-luted with industrial and human waste lies in Nigeria's rural areas, where food is produced, and where more than 60 per cent of the country's population relies on agriculture for its economic livelihood.

livelihood.

In the past, because Nigeria's population was relatively small — it has tripled since 1963 — the peasant farmers, who make up 95 per cent of its agriculturalists, could afford to practise a centuries-old system of shifting cultivation. They would slash and burn small plots, farm them

for two or three years without exhausting the soil, and then move on to new plots.

The system allowed for the regeneration of Nigeria's generally poor and infertile tropical soils — fields left fallow had time to regenerate natural ground cover, which then restored notriess to the soil.

With the rand growth of control of that original forest restaunts of the soil.

with the rapid growth of Migeria's population — now estimated at an annual growth rate of 3.4 per cent — the system has become unworkable. More urban dwellers demanding food, means that existing plots can no longer lie fallow; consequently, fields are farmed year in and year out, exhaustyear in and year out, exhausting the soil and reducing its productivity.

More farmers searching for land has led to even marginal agricultural land being over-worked; farmers are now mov-

cent of that original forest cover is left today. Serious ero-sion is a result.

More cattle and cattle-her-ders are rapidly destroying what natural ground cover remains; as desertification in the north increases, Fulani herds are pushing further and further south, over-grazing the land and consuming crop resi-dues that hold the topsoil in place. Soil leaching and the destruction of farmland are the

consequences.

The activities of all these The activities of all these rapidly growing groups of Nigerians have already led to the serious degradation of many the country's rural areas. Nor do desertification, deforestation, river damming, indiscriminate industrial waste disposal, or the destruction of natural floral and faunal habitats have simple or limited

Forest clearing for farming in the Oban Hills of Cross River state, to cite just one example, has had numerous knock-on consequences. Denuded of trees, this water-shed area has been badly eroded by rain. The soil has been swent into valleys and eroded by rain. The soil has been swept into valleys and has silted up rivers. Some has been carried further downstream and has damaged mangrove areas in the Niger delta. In the past these have been some of the most important transfer grounds for fish in all

breeding grounds for fish in all West Africa.

Combined with the primary effects of population pressure and poor conservation practices, widespread environmen-tal disaster and chronic food shortages are likely conse-

Faced with these dangers and the possible social reper-cussions, the Nigerian govern-ment and international aid agencies are taking initiatives to halt the damage, promote environmental awareness and develop improved conservation techniques. Environmental protection

efforts have been made in the past, but with little effect; although highly expensive, they were poorly integrated into rural development planning, involved little community perfections and legical nity participation, and lacked in follow-up. Only with the knowledge of increasing dam-age and such highly publicised events as the dumping of toxic waste material from Europe in Nigeria in 1988, has the Gov-

ernment begun taking environ-mental matters more seriously. Following the drafting of a National Conservation Strategy, the Government last year established a Federal Environmental Protection Agency to act as a regulatory body responsible for monitoring and prosecution in environmental matters. President Babangida has taken a leading role in conservation attempts by heading the newly-formed National cil; acting as an advisory body

Nigeria once had the largest rain forests in West Africa; only 5 per cent of that original forest is left today

to government, it will try to ensure that future agricultural

and industrial projects will take ecological imperatives into account.

Aid agencies such as the World Bank admit that in the past they, too, have failed to take adequate account of envi-ronmental issues in develop-ment planning. These issues, they say, will now form an integral part of sectoral planning; next month a World Bank team will be arriving in Lagos to confer with the Government on a medium-term action programme on the envi-

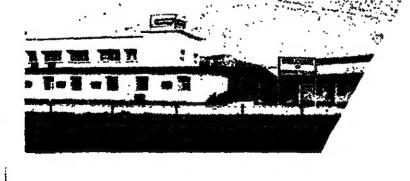
Other environmentally involved agencies include the European Commission, the UK's Overseas Development Administration, the Worldwide Fund for Nature, and the Nigerian Conservation Founda-tion (NCF). Their projects range from the protection of rain forests and birdlife, to anti-desertification projects, to the funding of Nigerian stu-dent teachers at conservation

It is too early to say what effect new environment measures might have. So great is the problem that to be effective an integrated approach involv-ing all sectors of the popula-tion and economy will have to be taken. These must include the adoption of a wide range of appropriate agricultural tech-nologies, improved extension nologies, improved extension services, environmental educa-tion in schools, and policy commitment at all levels of government. Above all, the Nigerian population must see an interest in protecting their surgentians. roundings. For communities to be involved in reversing envi-ronmental trends, they must see the long-term economic benefits.

Phillip Hall, NCF technical director, says: "Nigeria's only hope, and it must be realized in this decade, is to take the pres-sure off environmentally fragile areas. This can only be done by providing economic incen-tives to local populations through sustainable rural development programmes."
Although the Government has
moved some way through
structural adjustment to accelerating the rate of rural and agricultural development, Nigeria's environmental future

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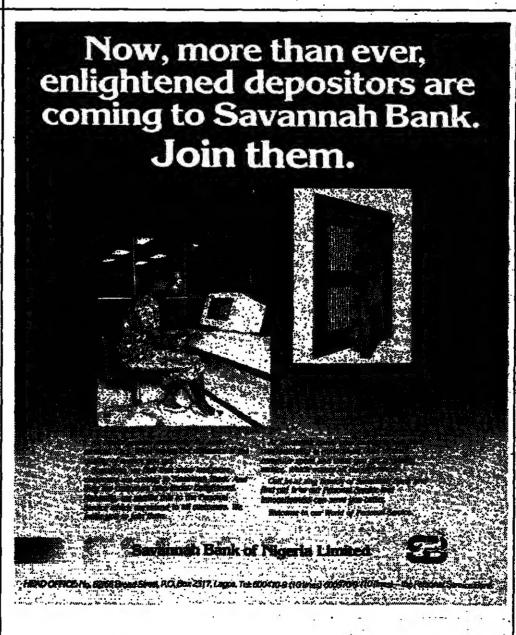




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for which parts are readily available in Nigeria. Its crop cleaning and silo storage complex are also low-tech and rela-

tively inexpensive. There has been no attempt at complex

Most of the farm's produce is linked to other divisions of

UAC. Ninety per cent of its maize is bought by Nigeria Breweries Ltd (NBL), a sister

company of UAC within Uni-lever's Nigerian associate.

Along with other breweries

agro-processing.

Value added proces

It is in the area of maize seed

restest agricultural potential

At present only one other Nigerian company undertakes the "bulking up" of improved mains seed varieties for subse-quent commercial distribution. The profits are large. Compos-

ite seed can bring three times as much maize produced for consumption; hybrid seed pro-

duction, while more costly and complicated, can bring from 10

Kidandan farm, like other large-scale operations, is not without its problems. Farm manager Graham Smith cites then as the worst, 30 per cent

of the mains crop was stolen last year, biting deeply into profits. Farm workers' resis-

tance to unfamiliar production methods and schedules has also had an effect on productiv-

ity, as has the damage caused by the cattle of Fulani herds-

men. Overall, however, the per-

formance of the UAC operation proves that large-scale com-

mercial farms can be more than simple political gestures; given the correct management, they can also be productive and profitable.

to 20 times us much.

Exceptional working model tively inexpensive. There has been no attempt at complex and costly irrigation systems. Most of the form's produce be

not, like the natives of Iowa or Nebraska, favour overalls and Massey-Ferguson baseball caps, but they might as well. Here, in the capital of Nigeria's maize belt, as in the American Midwest, the tasselled yellow cob is king, and life revolves around its planting, care, and

schools and institutes provide ample evidence of the area's leading activity. On the roads leading to the flat, intensively-farmed plains outside the town tarmed plains outside the town there are agricultural supply warehouses, businesses selling farming implements, seed supply firms, seed oil mills, tractor repair garages, agro-research institutes, and the farm and classrooms of the local agricultural college.

the second second

tural college. Unlike the farmers of the American Midwest, most maize farmers in the Zaria region are small-scale agriculturalists relying on rudimentary imple-ments and traditional techare under two hectares and the

Eighty kilometres outside Eighty kilometres outside Zaria, however, there is one farm that rivals those of the Midwest. Now entering its fourth year of production, the 17km-wide Kidandan Farm, halonging to the appringly. belonging to the agro-industries division of the United Africa Company (UAC) of



Zarie's "King Cob"

Nigeria, is showing that large farms can work despite often difficult conditions. Large-scale - commercial

farms are the exception rather than the rule in Nigeria; they represent less than 2 per cent of total area cultivated. Most exist as subsidiary operations of major commercial and trad-ing houses, and came into being as the result of govern-

Like many other companies, UAC was informed by the Government in 1985 that in the ernment in 1985 that in the interests of national food self-sufficiency, large businesses should become involved in food production, the penalty for not doing so would be the cancellation of some of the then all-important import licences for industrial raw materials which could be pro-

duced locally.

Few of the companies that became half-heartedly involved in agriculture as a rejuctant in agractione as a renotant political gesture to government are prospering today. Nigeria's commercial farming environment requires large capital investments in land clearing and start-up costs. The imported inputs, technology, and personnel necessary for this kind of farming are expensive.

Local labour forces are unused to modern work requirements. African farming involves risks of droughts, plant disease and insect plagues. Long periods are nec-essary before profits can be reglised.

In these conditions, management and performance on large-scale farms have to be highly competitive to survive. But along with a handful of other operations run by compa-nies such as Afcott and Guinness, UAC is facing an economically viable future. Kidendan

N29m. Last year the farm showed profits of N5m, 90 per cent of which went towards paying UAC (Nigeria) head office overheads. It is esti-mated that with expanding production the original investment will be paid off by 1994.

The company's success, according to agro-industry division head John Whitechurch, lies in three basic approaches: a medium-technology invest-ment that avoids over-capitalisation, "backward integration" ation, "backward integration" that encourages other divisions of the company to buy and process the farm's produce; and the targeting of production on crops with high value-added potential.

This year 3,000 of Kidandan farm's 5,000 hectares will be cultivated, of which 1,800 hectares will proceed the commercial.

ares will go to commercial maize cultivation, 600 hectares will be planted in rainfed rice, 450 hectares will be devoted to hybrid and composite maize seed production, while cotton and soybean will be grown on the remainder. There is also a best fattening operation.

farms, Kidandan uses simple, relatively inexpensive machin-ery which can be easily repaired.
Twenty-three of its 27 trac-

tors, for example, are low-pow-ered 75 horsepower machines

RIVER BASIN AUTHORITIES

Troubled waters

NORTHERN Nigeria in the dry and dusty harmattan season is one of the bleakest places on earth. A short drive in almost any direction from Kano reveals little more than parched, sandy fields, leafless trees, and dried up water-courses. But it is not all like

subject to a national import ban on berley, NRL in substi-tuting maize in beer produc-tion has given a hig boost to A 40-minute drive south of Kano will take the traveller There are other examples of this same process. Kidandan's cotton lint is sold to UAC's texinto gentler country. This is the vast Hadejia-Jamasra River seed production is used for fat-tening the Kidandan beef unit's cattle. The cattle them-selves are sold to UAC's foods Basin Development Projec which gives some idea of what irrigation in Africa can do. Here there are miles of channels burbling with water, acres of carefully-tended plots of young green wheat, and road-side stalls piled high with onions, potatoes and tomatoes. This lushness and productivever, are seen as being the most profitable and fastest-expanding operations in the future. The farm's rice, for ring inamess and productivity, however, does not tell the whole story of Nigeria's River Basin Authorities (RBAs), of which the Hadejis-Jamaara is just one. The project has undoubtedly brought relative prosperity to some of Kano state's farmers. But, like other example, is worth N2,000 on the stalk. Polished and par-boiled by a company in Sokoto, however, it comes back worth N8,000 a tonne. This year UAC will market its rice in 50kg bags — in the future it hopes to retail rice in 1kg bags for higher unit-volume profits. tate's farmers. But, like other RBA projects throughout the country, it has had a history of

poor and over-ambitious plan-ning, gross financial and infrastuctural mismanagement and waste, and administrative neglect. "Compared to other RBA projects in Nigeria," says one expatriate hydrological consultant in Kano, "Hadejia-Jamaara can be counted as a suc-

cess. Anywhere else, it would be seen as a disaster."

Whatever its relative stand-ing, the Hadejia-Jamaara RRA will go the way of all other RBAs in the country: after more than a decade of poor performance, the Nigerian gov-ernment is in the process of winding down RBA operations. Incorporated in the Shagari administration's "Green Revolution" programme in the late 1970s, the River Basin Authori-ties exploited a sound agricultural concept - that agricul-tural planning should be based not on artificially created administrative areas but on distinct geographical zones

determined by watersheds.

Rather than allocating resources to individual states, the idea was to develop federally-funded, multi-state regional projects along the country's numerous river basins. With water the key to devel-Nicholas Woodsworth opment, the RBAs recognized

and alluvial flood land. The federal government would take control of this land, temporarfly move its inhabitants, and undertake large-scale dam and downstream canal, water pumping and flood control projects. The developed and poten-tially more productive land would then be reallocated to its original inhabitants.

To promote maximum productivity, the RBAs decided in addition to become involved in agricultural support services. They would provide seeds, fer-tilizers, implements, crop stor-age facilities, extension ser-vices and training.

But this was not all; they would also diversify into activi-ties outside staple crop produc-tion. Ambitious plans were laid for the establishment of cattle ranches, forestry reserves, fish farms, poultry production units, and citrus plantations complete with cold-storage facilities. This, it was thought, would allow integrated devel-

food self-sufficiency. Not long after the establish-ment of 14 RBAs, agricultural theory came up against politi-cal and economic realities and the hard facts of technological

One of the most important factors leading to the undoing of the RBA's ambitious plans was Nigeria's oil-based pros-perity. During the oil-boom years of the late 70s and early 1960s, an over-valued currency made it easier and more convenient to import cheap food than to execute challenging development plans. While pro-grammes were begun at great expense - and often involved major kickbacks in procurement contracts - they rapidly lost impetus. And with the end of the boom and the onset of economic crisis, federal funds for RBA development dried up. An additional problem lay in

the political sphere. In cutting across state boundaries, the RBAs also cur across religious and ethnic groupings; this cre-ated local hostility and competition for federal resources inside individual RBAs. More importantly, in expropriating the richest agricultural land of each state, the federal government earned the resentment of state administrators.

The greatest problem, however, lay in RBA administracrats but sorely lacking in technical extension workers.

The RBAs were replete with well-manicured graduates who didn't want to leave their offices and get out on the land where they should have been," says agricultural consultant Tim Harvard. They were filefarmers, not soil-farmers. As a result projects were neglected, vital inputs and savices were not provided, machinery was poorly maintained or broke down altogether, and the small farmer, the intended benefi-

ciary of the RBAs, was neglected."

The most cursory glance at the Hadejis-Jamasra RBA project backs these contentions. Serious structural faults in the project's main component, the Tiga Dam, mean water releases cannot be properly controlled. Of 22,000 hectares originally

slated for irrigation, only 14,000 have been developed.

Almost all project farm machinery has broken down. Bags of wheat seed issued at planting time last year con-tained five different varieties, while farmers are still waiting for fertilizer. Plans for a ranch, citrus cold storage, a fish farm conservative estimate puts project costs at \$20,000 a hect-

are, making returns on invest-ment wholly unviable. A decision to terminate all RBA activities except those relating strictly to water man-agement was made by the fed-eral ministry of agriculture in 1988. Extension and input sup-ply services will become state government responsibilities. government responsionates, and a process of salling off fixed and movable RBA assets to private concerns is nearing completion. Under a newly-cre-ated Ministry of Water Resources, remaining RBA functions will be contracted

out to private management. Specialists continue express concern over serious shortcomings in the knowledge and application of agricultural technology. But they believe that, however disastrous, the RRAs have provided one valuable lesson to Nigeria. Small farmers using portable irrigation pumps use water profitably, large-scale, state-run agricultural projects do not.

Nicholas Woodsworti

NORTH EAST ARID ZONE DEVELOPMENT PROJECT

At war with advancing desert

IN THE far north-east of Nigeria, in a desolate area of parched, treeless plains and shifting red sand dunes, the headman of the small village of Karasuwa keeps a strange col-lection of bones. Treated with veneration, the disassembled skeleton of a hippopotamus is displayed to rare visitors as the sad proof of a recent but nev-

er-to-return past.
Not more than 40 years ago, these lumbering animals used to be found just outside the village. Today, not only the hippopotamuses have disappeared, the river in which they lived is no more than a dusty gulch running through arid and ever less productive fields. Like most villagers of Sorno state, the inhabitants of Kara-

suwa are victims of drought and desert encroachment, they receive less than half the scanty rainfall they did in the edy, the disappearance of their river, is not of natural, but human making the Yobe River stopped flowing when dykes were built to facilitate road and railway construction many

It may be just one small it may be just one small example, but in an ecologically fragile area like north Borno, poor resource management and development planning of this type can spell disaster for hundreds of villages.

Ultimately Karasuwa's

than most in Nigeria's saladan north; the village is included in a new development project being initiated this year, the North East Arid Zone Development Programme (NEAZDP). Funded by grants and highly concessional loans under Lome Convention, accorded by the Eastern

tech "micro-projects" for which villagers themselves will take responsibility. "Under previous develop-ment schemes" care NEAZDE

ment schemes," says NEAZDP director Bill Knight, "local vil-lagers have been getting no benefit from their own natural developing countries and the stropean Community, the ECU40m (£29m) project is approaching rural development people are made the direct control of their own natural resources — profits from foregrammes have gone into Government coffers. But if local approaching rural development

The programme's aim is to initiate small-scale, low-tech 'micro projects' for which the villagers will take responsibility

in Nigeria.

Development efforts in the project area's 10,000 sq km of north-western Borno are not new, but earlier projects 600,000 impoverished inhabitants. Expensive, large-scale projects that involved little community participation, they collapsed as soon as project funds and personnel were with-

NEAZDP is based on a differ-ent philosophy fast gaining credibility throughout the con-tinent. Intended to increase agricultural production and type can spell disaster for hundreds of villages.

Ultimately Karasuwa's inhabitants may be luckier is to initiate small-scale, low-

Doing business in Nigeria?

It really isn't that difficult.

with appropriate environmental forethought that is unique ment projects, the incentives will be there to ensure efficient and sustained resource manundertake its wide range of projects in co-ordination with officials of the area's seven local government areas, the objective is to avoid hottest decision-making by bureau-crats in distant centres of

We are trying to get right down below local government to village leaders and individuto village leaders and individuals," says Mr Knight. "We will facilitate projects that the people themselves express a need for. But there must be a commitment on their part in project execution, follow-up and, in some cases, financial investment. If there is no commit-ment, there is no deal. Ulti-mately, we are aiming at what other rural development pro-jects in Nigeria have failed to achieve in the past - the establishment of self-sustaining systems."

Project designers realise. however, that no amount of local commitment is by itself enough. So complex is the local ecology, and so environmen-tally degraded has the region become, that environmental rehabilitation is a major proj-ect component.

Most of the project area is composed of savannah that, with the advance of the desert from the north, is rapidly becoming a sahelian wasteland of low rainfall and unproductive sandy soil. Within the area there is, in addition, a zone of 3,600 sq km unique in Nigeria - an inland delta on the Hadejia river, made up of swamps and braided channels known as the Wetlands.

While the natural process of desertification has affected both dry and wet lands, it has been accelerated by the over-exploitation of what have become known as "the three Fs" - food, fodder and firewood resources. Because the area's water has

attracted a large and fast-expanding human population, pressure on these three resources has badly damaged the environment. Intensive farming on riverine land has exhausted the soil, over-grazing by Fulani cattle and goats has caused serious erosion, and tree-cutting for fuel wood has denuded the countryside.

NEAZDP, therefore, concen trates on promoting the man-agement of these three resources, each vital to the area's economy, on a sustain-able basis.

Agricultural projects will concentrate on improved water management, including small-scale irrigation, low-cost dyke and bund drainage control, and residual moisture-cropping

Improved livestock manage ment will involve the establish

ment will involve the establish-ment of "grazing reserves", the introduction of new fodder crops, and the creation of "fod-der banks" for village herds. Reforestation projects will be carried out at the village level, with the establishment of vil-lage woodlots, gum arabic plantations, and erosion-resist-ing shelter belts.

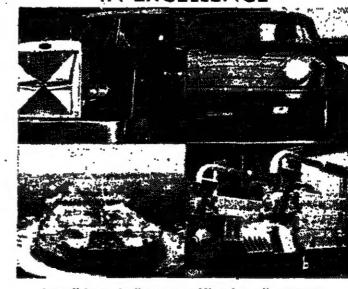
The critical component of all these programmes is water; and here lies the greatest threat to the success of the NEAZDP project. The area depends for its water on the smuual flood of the Hadejia river, which, in season, covers 45,000 hectares of alluvial soil. There is already one urganiton dam upstream in Kano state, which has reduced flow levels by half and affected the river's vital flood. Approval for the construction of a second dam in the Hadejia valley in Kano has just be granted.

While these dams may be of great benefit to Kano farmers of irrigated wheat, they could ruin northwestern Borno's chances of economic and environmental revival. If an agree-ment on the rational sharing of a scarce resource can be made between the two states, villages such as Karasuwa may one day be happier places. If not, there may be many more villages like it in the not-too-distant future.

Nicholas Woodsworth



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Religion has caused two flare-ups in the 1980s

Flash-points of discontent

THE connection between a badly washed glass and religious conflict might seem tenuous but it was the cause of an incident between Moslem and Christian students at Zaria University. The Moslem students complained that glasses being used for water in the canteen had previously been used for beer in the college bar. With tempers raised, a minor scuffle took place, a not atypical result of increasing religious sensitivity across

car resait of increasing renglous sensitivity across
Nigeria.

Religion has always played a
role in national life, a fact
recognised during British colonial rule in the north-south
division of its administrative
structure and the legacy of the
three-state federation at independence. The 1963 census (the
last reliable figures) described
47 per cent of the population as
Moslam, \$5 per cent Christian
with the remainder animist.
Both Moslems and Christians
claim and increase in representation but accurate assessment
is difficult because up-to-date
figures are not available. Any
attempt at simplification, even
on a state-by-state basis, is
impossible. Kaduna, for example, is home to some of the
most important northern Moslems. Yet this supposedly
prominent northern centre is
predominantly Christian, evidenced by Christians outnumbering Moslems in the council
elected in the 1988 local gov-

ernment elections.

Within the last decade, religion has been the cause of two violent outbursts. At the beginning of 1981, Kano was the scene of large-scale Islamic disturbances resulting in the death of the fundamentalist preacher Maitatsine. His followers consisted mainly of those living on the poverty-line who, incensed by the disparity between rich and poor, protested against what they perceived as the abuse of Islamic principle by the wealthy.

principle by the wealthy.

The second outburst occurred in 1987 in the city of Kaduna. According to some reports, Moslem crowds attacked 100 churches following rumours that a priest had given a lecture in which he criticised the teachings of the

Although such violence added a new dimension to the issue of religion in Nigeria, there has for many years been and active debate on the secular status of the nation. Leaders of both religious persuasions trace the recent rise in

a 1978 debate on sharia law in the Constituent Assembly. A seemingly innocent proposal to create a Federal Statute Court of Appeal sparked a heated exchange. Moslem members of the Assembly argued that a statute court was fundamentally Christian in origin and demanded a Federal Sharia Court of appeal for civil cases. Christians protested that a sharia court at the federal level would undermine the secular status of Nigeria. Looking back at the debate Dr Bashir Ikara, director of the Centre for Research and Historical Documentation in Kaduna and a

Religion has always played a role in national life

member of the '79 Assembly, considers that "politics and religion became inextricably entwined over the issue of Shorte I over

The two elements make a volatile mixture, as President Ibrahim Babangida discovered in 1965 when news leaked out that his Government was considering full membership of the Organisation of Islamic Conference (OIC), a body which promotes Islamic solidarity and economic co-operation among member states. Critics argued that the Government's intention was a political one. They saw it as an attempt to appease those northern Moslems unhappy with the overthrow by Major General Ibrahim Babangida, in a bloodless coup in 1986, of the regime of former head of state Major General Buhari which had been seen as representing their interests. While the Government restated its commitment to Nigeria's secolar status, Christian leaders expressed their concern that it was showing religious bias to satisfy a political con-

The mixing of politics with religion has allowed religions leaders a political platform. After the cabinet reshuffle in January, Anglican Bishop A. Ghonigi called for Christians to protest over the re-assignment of General Domkat Balli, a Christian and chairman of the Joint Chiefs of Staff, to the Ministry of Internal Affairs. The call went unheeded in the south but demonstrations, supported by the Christian Association of Nigeria, took place in the towns of Kaduna, Jos, Yola and Bauchi. They passed without serious incident, avoiding

There is the constant threat that even a peaceful religious demonstration could trigger a violent backlash. The danger stems partly from a mutual misconception of each other's intentiona. The poor turnout at the January demonstrations is evidence of a lack of radicalism among the Christian masses. But the impression often given by the media is of the more extreme figures speaking for

the havoc of riots such as those suffered by Kaduna in

the majority.

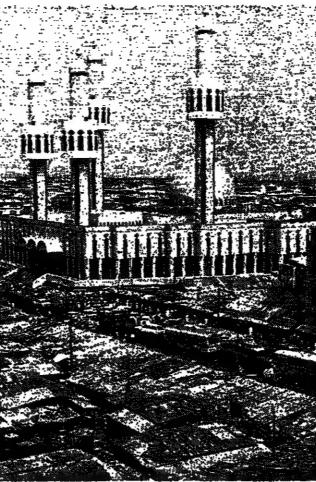
Similarly, Christians point to the utterances of the respected but controversial Islamic scholar, Sheik Abuhakar Guni, as indicative of broad-based fundamentalism. Before the 1983 election he called for every Moslem "to register so we can predominate over non-Moslems". Sheik Gumi continues to be seen as one of the

The armed forces comprise a careful balance of loyalties

leading influences in the Moslem community but several observers and community leaders in Kaduna and Kano question whether his authority is as far-reaching as some press reports suggest.

As the transition to civilian

As the transition to civilian rule gets under way, the opinion of some former politicians is that President Babangida will have to act firmly to prevent the new breed politicians fighting on a religious ticket. Sceptical observers argue that the battle may have already



Aciday Anhao

been lost. A member of the 1979-83 House of Representatives, Dr Junaid Muhammed, is pessimistic about any candidate's desire or ability to stay removed from religion. "From now on," he says, "a politician's religion is going to be more important than the policies or programmes he stands

There remain, however, other factors which could keep religious tensions in check. Many issues — such as the allocation of federal spending in the 21 states — are seen in terms of regional and ethnic loyalties which cut across religious affiliation. Both sides acknowledge that religious conflict in the country would be profoundly damaging. "It would be bad for business," commented one northern trader, reflecting the fact that, whether Christian or Moslem, most Nigerians are highly business-orientated.

Perhaps the most important factor is that the country's armed forces comprise a careful balance of regional and religious loyalties in an effort to ensure its neutrality. Many observers consider this neutrality crucial. The real danger to stability, they believe, is not so much the demonstrations or rivalry or discontent but they way in which they are handled. So far successive governments have managed to contain the delicate task of balancing religious loyalties and expectations while keeping Nigeria a secular state. But religious awareness has become more pronounced in recent years. Nigeria's Moslem population may well be drawn into the worldwide resurgence of Islam, which brings with it the dangers posed by some of the faith. Many Christians for their part are responding to the sealous preaching of a new wave of proselytising church

As these two powerful forces compete for the hearts and minds of Nigatians, the Government's balancing act will become an increasingly demanding task.

.... Villiam Keeling

THE SULTANATE OF SOKOTO

Rooted in the past

IN THE walled courtyard of the palace of the Sultan of Sokoto sits one of the great leviathers of the machine age. With its heavily-chromed grille, bullet bumpers and nine-inch rear fins, the Sultan's ageing Fleetwood Cadillac is as impressive as any limoustne cruising Fifth Avenue

This massive steel monster would arouse the envy of most modern Nigerians. But when Ibrahim Dasuki, the newly proclaimed Sultan of Sokoto, was tempted from the cool of his palace one hot afternoon last month, it was not to admire the Fleetwood. Bundled against the harmattan dust in a heavy white turban, sungiasses and gray silk robes, the Sultan spent long moments individually inspecting the true objects of his affection: the carefully-groomed Fulant stallions of his palace cavalry. That the Sultan of Sokoto should prefer horseflesh to horsepower is not surprising—the animals are a symbol of the long traditions on which the Sultanate's considerable power and anthority remain based.

Nearly 200 years ago the sires of these stallions thundered across the northern plains of Nigeria on a holy ihad that created the largest and most successful Islamic empire in the history of West Africa. On their backs they carried the flerre Fulani cavalrymen of Usman dan Fodio, religious reformer, founder of the Sokoto Caliphate, and

great-great-grandisther of the present Sultan.

Today the Caliphate as a political entity is gone, destroyed by the military power of the British empire and the secular rule of an independent Nigeria. By clinging tenaciously to the Islamic tradition, however, the Sultans have succeeded in extending their influence far beyond the Caliphate's old boundaries.

The emirs of the cities of the north no longer hold direct political power as they did under the protection of the Caliphate. But as traditional leaders commanding the respect of the north's Moslem populations, they have been elements in the post-independence leadership of Nigeria.

Today, not only the emirs of the north but the entire Moslem population of the country continue to look to the Sultan of Sokoto as their supreme religious and cultural leader. While the political maxim "He who controls the North controls the country" may be less true today than previously, few Nigerian leaders would care to underestimate the Sultan of Sokoto's influence.

The Sultanate's unrelenting grip on the past and traditional resistance to modernization is suparent not only in the palace courtyard; it is reflected in the wider economy of Sokoto state and in the morals and manners of its capital city. Economic development has lagged and Sokoto, one of the largest states in Nigeria, is also one of the poorest.

the poorest.

Manufacturing remains limited to leather tanning, furniture, cament and ceramic production. Agriculture, the predominant activity of Sokoto's 10m people, has never been easy in the poor soils and arid climate of this sahelian region; in the past 20 years, especially, continuing drought

Agriculture has never been easy in the poor soils of Sokota

and desertification have forced many Sokotans into seasonal migrant labour. Although the state is now attempting to promote local economic development through education programmes, unemployment remains high and more than 75 per cent of the formal wage sector is in government employ.

Sokoto by day, if one can

Sokoto by day, if one can stand the temperatures that rise well above 40 deg C, is one of the most charming and colourful cities in Nigeria. In a city tinted with the red desert soil from which it is built, are scenes that have barely changed for the last century.

Long strings of heavily-laden camels file through the dusty middle of town. Many of the state's millions of cows, goats, sheep and horses seem to spead much of their time confusing the city's traffic. Whole schools of toothless and turbanned holy men prostrate themselves in the shade of the city's neem trees, bobbing up and down as they pray in the direction of Mecca. In the area of the palace, the Sultan's

guards wander in bright green and red robes; here, the city comes to a halt every Friday afternoon as thousands of Sokotans swarm the streets to pray under the green minarets of the Shehu Mosque. By night, Sokoto is some-

By night, Sokoto is somewhat less lively. The bevies of bar girls found elsewhere in the country are conspicuously absent in hotels. An experiment with discotheques was made some time ago; they have subsequently been banned. Inside the old city walls, alcohol is strictly forbidden. Purdah, the exclusion of women from public life, is still practised among the classes that can afford it.

If Sokoto normally leads a quiet and well-ordered life, it has also experienced an extraordinary period of upheaval and violence. In late 1988, the death of the previous Sultan led to a power struggle among three descendants of Dan Fodio, all legitimate candidates for the Sultanate. When the choice of Sokoto's council of traditional "kingmakers", the son of the previous Sultan, was apparently overturned by the state government in favour of the outsider librahim Dasuki, there were five days of riots, death and damage throughout

the city.

The new Sultan, Sokotans believed, had been imposed by President Babangida for his own political purpose – that of harnessing the religious influence of the north for national, rather than regional interest. This may indeed be among the president's objectives. But in the past year the Oxford-educated Desukl, using influence built up over a long career as a senior civil servant and successful businessman, has proven himself adept at honouring both national and local obligations.

obligations.

Far from weakening the Sultanate, the leader of Nigeria's Moalems is trying to add new strength to it. Whether he will succeed, remains to be seen. Nevertheless, while remaining firmly rooted in the traditions of the past, the Sultan of Sokoto is inching an old institution forward. The horse may not be as fast as the Cadillac, but in another, non-Moslem tradition, neither was the fortoise as fast as the hare.

Nicholas Woodsworth

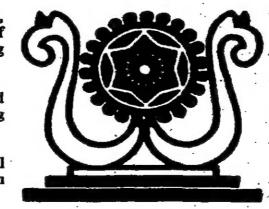
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One of the early Groups to move towards relevant industrialisation, and self-sufficiency, growth has been rapid and significant through an aggressive programme of new ventures and acquisition including —

- FIRST ALUMINIUM COMPANY (NIGERIA) (formerly Alcan Aluminium), the nation's oldest and foremost aluminium company, manufacturing raw materials for industry.
- FIRST ALUMINIUM PRODUCTS with factories in Lagos, Kaduna and Port Harcourt, manufacturing an extensive range of finished products for the building and transport industries including windows & doors, partitioning, cladding & roofing.
- SHONGAI PACKAGING INDUSTRIES LTD, leading the field in plastic injection moulding, printing and other allied packaging materials.
- VEGFRU, the country's first and largest integrated agricultural and food processing company, with 5000 hectares under cultivation for tomatoes, fruit, maize etc for home and export markets.



From its early beginnings in merchandising and distribution the Commercial Group continues to expand and develop, encompassing an ever diversifying field of activities including —

- INLAKS LIMITED, one of the oldest and truly national merchandising and distribution houses in Nigeria also with extensive operations in agriculture, fishing and export.
- INLAKS COMPUTERS, Unisys authorised distributor, with a complete range of hardware and software services for industry and financial institutions.
- AFRICA OILFIELD SUPPLIES & SERVICES providing oilfield equipment for the vital petroleum industry.
- OFFSHORE TRAWLERS, with its fleet of modern vessels and processing facilities for home and export markets.
- TRANSATIANTIC SHIPPING AGENCIES, moving the nation's supplies into the country and exports out of the country.

Part of an ever diversifying Portfolio of Investment

THE INLAKS GROUP OF COMPANIES

— developing Nigeria's agricultural, industrial and commercial activities for domestic and export markets

CORPORATE OFFICE: 1st Floor, NAL Towers, 20, Marina P. O. Box 1071, Lagos. Tel: 636105, 636107, 633004, 601370, 601375